



FUTURE DATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

2022 ANNUAL REPORT



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Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report for which the directors (the “Directors”) of Future Data Group Limited (the “Company”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the “Group”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Tao Hongxia (*Chairlady*)
Mr. Lee Seung Han
(*Chief Executive Officer*)
Mr. Tao Guolin (*Group General Manager*)

Independent Non-executive Directors

Mr. Chan Kin Ming
Mr. Lam Chi Cheung Albert
Mr. Yu Wing Chung

BOARD COMMITTEES

Audit Committee

Mr. Chan Kin Ming (*Chairman*)
Mr. Lam Chi Cheung Albert
Mr. Yu Wing Chung

Remuneration Committee

Mr. Lam Chi Cheung Albert (*Chairman*)
Mr. Chan Kin Ming
Mr. Yu Wing Chung

Nomination Committee

Mr. Yu Wing Chung (*Chairman*)
Mr. Chan Kin Ming
Mr. Lam Chi Cheung Albert

COMPLIANCE OFFICER

Mr. Lee Seung Han

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

Units A1304–1310, 13 Floor
150 Yeongdeungpo-ro
Yeongdeungpo-gu
Seoul
Korea

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUTHORISED REPRESENTATIVES

Ms. Tao Hongxia
Ms. Cheung Yuet Fan

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Giraffe Capital Limited
3/F, 8 Wyndham Street
Central, Hong Kong

CORPORATE INFORMATION

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong law:
Michael Li & Co.
Solicitors, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

As to Korean law:
Shin & Kim
Attorneys-at-law, Korea
23/F, D-Tower (D2)
17 Jongno 3-gil,
Jongno-gu,
Seoul 03155
Korea

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703, 17/F
Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

Woori Bank
51, Sogong-ro
Jung-gu
Seoul, 04632
Korea

COMPANY WEBSITE ADDRESS

www.futuredatagroup.com

STOCK CODE

8229

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to report to the shareholders the annual results of Future Data Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

The business environment where the Group operates was challenging due to the prolonged global viral pandemic in these years. In this challenging environment, the Group has decided to cut non-productive costs where possible including headquarters; and to increase higher margin maintenance services.

For the year ended 31 December 2022, the Group generated revenue of approximately HK\$617.6 million, which represented a decrease of approximately HK\$102.9 million or 14.3% compared to the corresponding period in the previous year. Our gross margin decreased by 2.3 percentage points from 11.7% for the year ended 31 December 2021 to 9.4% for the year ended 31 December 2022. The deterioration was mainly due to unfavourable exchange rate movement of South Korean Won ("KRW") against United States dollars ("US\$") and relatively low margin projects obtained from strategic customers in Korea, which boosted up the cost of sales and services at a rate higher than revenue.

Selling and administrative expenses reduced significantly from approximately HK\$72.5 million for the year ended 31 December 2021 to approximately HK\$63.1 million for the year ended 31 December 2022. Thanks to the effective cost-controlling measures. The selling and administrative expenses expressed as a percentage of revenue remained relatively stable at 10.2% (2021: 10.1%) in the challenging business environment under Coronavirus Disease 2019 ("COVID-19") pandemic.

We experienced a stable recovery commencing from late 2022. The gross margin increased from 9.0% for the nine months ended 30 September 2022 to 9.4% for the year ended 31 December 2022 as mentioned above. The loss significantly reduced from approximately HK\$12.7 million for the nine months ended 30 September 2022 to approximately HK\$4.0 million for the year ended 31 December 2022. The loss per share is also significantly reduced from HK cents 2.74 per share (re-presented) for the nine months ended 30 September 2022 to HK cents 0.77 per share for the year ended 31 December 2022.

During the year, the construction of 7 office units in relation to properties located at Think Factory Industrial Cluster Dangsang, Seoul, South Korea has been completed and recognized as freehold land and buildings classified property, plant and equipment amounting to approximately HK\$31.6 million. Moreover, the construction of 4 office units in relation to properties located at Think Factory Industrial Cluster Dangsang, Seoul, South Korea has also been completed and recognized as investment properties amounting to approximately HK\$14.5 million. The assets of the Group have been significantly strengthened accordingly.

In order to further strengthen the financial stability of the Group, net repayment of bank borrowings of approximately HK\$41.0 million has been made in the current year while the cash and cash equivalents remained relatively stable at approximately HK\$122.6 million as at 31 December 2022 (2021: HK\$123.1 million). The cash per share of the Group remained relatively stable at HK cents 30.6 per share (2021: HK cents 30.8 per share).

CHAIRMAN'S STATEMENT

Our net cash generated from operating activities has been significantly improved to approximately HK\$57.7 million for the year ended 31 December 2022 (2021: net cash used in operating activities of approximately HK\$19.2 million). Netting off with the major cash outflow of the Group used for balance payment for the purchase of property, plant and equipment and investment properties of approximately HK\$21.9 million and HK\$8.9 million respectively classified as investing activities and net repayment of bank borrowings of approximately HK\$41.0 million classified as financing activities as mentioned above, we experienced an increase in cash and cash equivalent (before the effect of exchange rate changes) of approximately HK\$5.8 million.

Below are other notable highlights for 2022:

- Total contract sum of approximately HK\$149.2 million from a computer network integrator
- Total contract sum of approximately HK\$57.2 million from Korean armed force
- Total contract sum of approximately HK\$49.2 million from a software development and supply company
- Total contract sum of approximately HK\$36.4 million from a mobile network operator
- Total contract sum of approximately HK\$25.0 million from an university

Although the Group has recorded a loss for the year ended 31 December 2022, our order book is increasing and the situation is improving. After considering the current circumstances, the management team of the Group will implement tight cost control against those uncertainties. We will also assess the potential impacts of the Russo-Ukrainian War and the pressure of increasing interest rate in the United States in developing business strategies.

Despite of the existing marketing in Korea, the Group has been exploring business opportunities to set up and/or expand business in other Asian countries, including but not limited to China, Singapore and/or Vietnam, with the view to broadening the customer base of the Group. Further, the Group would like to ride on its comparative advantage of software development to further cooperate with the appropriate business partners in Asian countries to enrich its business scope in order to achieve better operating results.

On behalf of the Board, I would like to express my gratitude to our management team and staff members for their continued support and contribution to the Group during this past year.

Tao Hongxia
Chairlady

28 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

For the year ended 31 December

	2022 HK\$'000	2021 HK\$'000	Change HK\$'000	Change %
Revenue	617,641	720,569	(102,928)	(14.3%)
Cost of services	(559,320)	(636,281)	(76,961)	(12.1%)
Gross profit	58,321	84,288	(25,967)	(30.8%)
Other income	2,855	2,484	371	14.9%
Reversal of impairment of trade and bills receivables, net	761	2,262	(1,501)	(66.4%)
Selling and administrative expenses	(63,073)	(72,522)	(9,449)	(13.0%)
Finance costs	(1,317)	(808)	509	63.0%
(Loss)/profit before income tax	(2,453)	15,704	(18,157)	(115.6%)
Income tax expense	(1,516)	(7,014)	(5,498)	(78.4%)
(Loss)/profit for the year	(3,969)	8,690	(12,659)	(145.7%)

The Group recorded a decrease in revenue by approximately HK\$102.9 million or 14.3% to approximately HK\$617.6 million and turnaround from profit to loss for the year of approximately HK\$4.0 million for the year ended 31 December 2022.

REVENUE

An analysis of the Group's revenue is presented below:

- Korea and Hong Kong operations were declining during the year ended 31 December 2022. Korea contributed approximately HK\$587.4 million in revenue for the year ended 31 December 2022, dropping by approximately HK\$98.1 million or 14.3% compared to approximately HK\$685.5 million a year ago. Business in Hong Kong contributed approximately HK\$30.2 million in revenue for the year ended 31 December 2022 which was approximately HK\$4.8 million or 13.8% lower when compared to approximately HK\$35.0 million a year ago. Such decline was mainly due to adverse business and economic conditions.
- All segments recorded a revenue decline for the year ended 31 December 2022. Revenue from system integration, maintenance services and cyber security services were approximately HK\$427.5 million, HK\$160.0 million and HK\$30.2 million respectively, which accounted for 69.2%, 25.9% and 4.9%, respectively, of the Group's revenue for the year ended 31 December 2022 (2021: 70.2%, 24.9% and 4.9%, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

- For the year ended 31 December 2022, public sector contributed approximately HK\$236.5 million in revenue, which decreased by approximately HK\$50.8 million or 17.7%, compared to a year ago; while private sector contributed approximately HK\$381.1 million in revenue, which decreased by approximately HK\$52.2 million or 12.0% compared to a year ago.

The decrease in revenue was mainly due to adverse business and economic conditions.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit decreased by approximately HK\$26.0 million or 30.8% from approximately HK\$84.3 million for the year ended 31 December 2021 to approximately HK\$58.3 million for the year ended 31 December 2022. In terms of gross profit margin, the margin was decreased by 2.3 percentage points to 9.4% for the year ended 31 December 2022. During the year, the Group was facing the pressure of staff costs increment in the information technology industry, unfavourable exchange rate movement of Korean Won against United States dollars and relatively low margin projects obtained from strategic customers in Korea, which boosted up the cost of sales and services at a rate higher than revenue.

OTHER INCOME

Other income increased by approximately HK\$0.4 million or 14.9% to approximately HK\$2.9 million for the year ended 31 December 2022.

SELLING AND ADMINISTRATIVE EXPENSES

The Group posted a selling and administrative expenses of approximately HK\$63.1 million for the year ended 31 December 2022, a decrease of approximately 13.0% compared to the amount of approximately HK\$72.5 million a year ago. The decrease was attributable to the effective cost-controlling measures of the Group.

LOSS BEFORE INCOME TAX AND LOSS FOR THE YEAR

The Group posted a loss before income tax of approximately HK\$2.5 million for the year ended 31 December 2022 reversing from profit before income tax of approximately HK\$15.7 million for the year ended 31 December 2021. The deterioration was mainly due to adverse business and economic conditions.

After a provision of approximately HK\$1.5 million for tax expenses, the Group's loss for the year stood at approximately HK\$4.0 million for the year ended 31 December 2022, a reversal from a profit position of approximately HK\$8.7 million for the year ended 31 December 2021.

**MANAGEMENT
DISCUSSION AND ANALYSIS**

STATEMENT OF FINANCIAL POSITION ANALYSIS

As at 31 December

	2022 HK\$'000	2021 HK\$'000	Change HK\$'000	Change %
Property, plant and equipment	41,394	7,342	34,052	463.8%
Investment properties	14,780	–	14,780	100.0%
Intangible assets	1,174	4,090	(2,916)	(71.3%)
Goodwill	7,534	7,534	–	0.0%
Other financial assets	4,416	4,554	(138)	(3.0%)
Deposits for acquisition of properties	–	19,420	(19,420)	(100.0%)
Rental and other deposits	722	1,451	(729)	(50.2%)
Prepayments	685	3,842	(3,157)	(82.2%)
Defined benefit assets	3,089	–	3,089	100.0%
Deferred tax assets	6,750	7,092	(342)	(4.8%)
Non-current assets	80,544	55,325	25,219	45.6%
Inventories	12,675	13,982	(1,307)	(9.3%)
Trade and other receivables	111,174	110,156	1,018	0.9%
Contract assets	6,150	28,482	(22,332)	(78.4%)
Prepayments	5,273	13,020	(7,747)	(59.5%)
Loan to a shareholder/ultimate holding company	–	5,829	(5,829)	(100.0%)
Fixed bank deposits	1,857	4,196	(2,339)	(55.7%)
Cash and cash equivalents	122,561	123,088	(527)	(0.4%)
Current assets	259,690	298,753	(39,063)	(13.1%)
Trade and other payables	116,655	84,085	32,570	38.7%
Contract liabilities	21,894	34,120	(12,226)	(35.8%)
Loan from a shareholder	5,000	–	5,000	100.0%
Amount due to a shareholder	1,376	–	1,376	100.0%
Lease liabilities	1,723	2,236	(513)	(22.9%)
Bank borrowings	41,809	68,383	(26,574)	(38.9%)
Tax payable	879	1,583	(704)	(44.5%)
Current liabilities	189,336	190,407	(1,071)	(0.6%)
Lease liabilities	2,879	858	2,021	235.5%
Bank borrowings	–	15,449	(15,449)	(100.0%)
Loans from shareholders	14,684	5,000	9,684	193.7%
Defined benefit obligations	–	327	(327)	(100.0%)
Non-current liabilities	17,563	21,634	(4,071)	(18.8%)
Net assets	133,335	142,037	(8,702)	(6.1%)

MANAGEMENT DISCUSSION AND ANALYSIS

NON-CURRENT ASSETS

As at 31 December 2022, the Group recorded non-current assets of approximately HK\$80.5 million representing an increase of approximately HK\$25.2 million or 45.6% when compared to that as at 31 December 2021. The increase was mainly contributed to the additions to freehold land and buildings classified as property, plant and equipment of approximately HK\$31.6 million, which comprised deposits previously paid for the acquisition of these properties of approximately HK\$30.8 million and transaction cost of approximately HK\$0.8 million, was capitalized during the year.

CURRENT ASSETS

As at 31 December 2022, the Group recorded approximately HK\$259.7 million in current assets which was approximately HK\$39.1 million lower than that as at 31 December 2021 of approximately HK\$298.8 million. The decrease was mainly contributed to the decrease in contract assets of approximately HK\$22.3 million, prepayments of approximately HK\$7.7 million and loan to a shareholder/ultimate holding company of approximately HK\$5.8 million.

The Group's cash position stood at approximately HK\$122.6 million as at 31 December 2022. Cash to current liabilities ratio remains relatively stable at approximately 64.7% (2021: 64.6%). The ratio indicated that the Group has strong ability to settle its current liabilities.

CURRENT LIABILITIES

The Group's current liabilities decreased by approximately HK\$1.1 million or 0.6% from approximately HK\$190.4 million as at 31 December 2021 to approximately HK\$189.3 million as at 31 December 2022, which were mainly comprised of trade and other payables of approximately HK\$116.7 million (2021: HK\$84.1 million), bank borrowings of approximately HK\$41.8 million (2021: HK\$68.4 million) and contract liabilities of approximately HK\$21.9 million (2021: HK\$34.1 million).

NON-CURRENT LIABILITIES

The Group's non-current liabilities decreased by approximately HK\$4.1 million or 18.8% from approximately HK\$21.6 million as at 31 December 2021 to approximately HK\$17.6 million as at 31 December 2022 which were mainly comprised of loans from shareholders of approximately HK\$14.7 million (2021: HK\$5.0 million), lease liabilities of approximately HK\$2.9 million (2021: HK\$0.9 million) and bank borrowings of nil (2021: approximately HK\$15.4 million).

NET ASSETS

The Group's net assets stood at approximately HK\$133.3 million as at 31 December 2022 which was comparable to the balance of approximately HK\$142.0 million as at 31 December 2021.

**MANAGEMENT
DISCUSSION AND ANALYSIS**

STATEMENT OF CASH FLOWS ANALYSIS

For the year ended 31 December

	2022 HK\$'000	2021 HK\$'000	Change HK\$'000	Change %
(Loss)/profit before income tax expense	(2,453)	15,704	(18,157)	(115.6%)
Total adjustments	8,611	6,834	1,777	26.0%
Operating profit before working capital changes	6,158	22,538	(16,380)	(72.7%)
Changes on:				
– Inventories	1,059	128	931	727.3%
– Rental and other deposits and trade and other receivables	(5,115)	(34,339)	(29,224)	(85.1%)
– Contract assets	20,664	(4,673)	25,337	542.2%
– Prepayments	12,573	(3,467)	16,040	462.6%
– Trade and other payables	36,140	(1,466)	37,606	2,565.2%
– Contract liabilities	(10,755)	11,574	(22,329)	(192.9%)
– Defined benefit obligations	(306)	(5,034)	(4,728)	(93.9%)
<i>Cash generated from/(used in) operations</i>	60,418	(14,739)	75,157	509.9%
Income taxes paid	(2,844)	(4,737)	(1,893)	(40.0%)
Interest received	117	262	(145)	(55.3%)
Net cash generated from/(used in) operating activities	57,691	(19,214)	76,905	400.3%
Payment for purchases of property, plant and equipment	(21,878)	(1,085)	20,793	1,916.4%
Payment for purchases of investment properties	(8,869)	–	8,869	100.0%
Deposits paid for acquisition of properties	–	(10,043)	(10,043)	(100.0%)
Payment for purchases of other financial assets	–	(192)	(192)	(100.0%)
Proceeds from disposal of other financial assets	–	2,741	(2,741)	(100.0%)
Proceeds from disposal of property, plant and equipment	160	–	160	100.0%
Decrease in fixed bank deposits	2,063	–	2,063	100.0%
Decrease in loan to a shareholder/ultimate holding company	5,394	2,951	2,443	82.8%
Net cash used in investing activities	(23,130)	(5,628)	17,502	311.0%

MANAGEMENT DISCUSSION AND ANALYSIS

	2022 HK\$'000	2021 HK\$'000	Change HK\$'000	Change %
Proceeds from bank borrowings	184,497	229,987	(45,490)	(19.8%)
Repayments of bank borrowings	(225,482)	(172,256)	53,226	30.9%
Interest paid	(1,317)	(808)	509	63.0%
Repayments of principal portion of the lease liabilities	(2,518)	(2,324)	194	8.3%
Increase in loans from shareholders	14,684	5,000	9,684	193.7%
Increase in amount due to a shareholder	1,376	–	1,376	100.0%
Net cash (used in)/generated from financing activities	(28,760)	59,599	(88,359)	(148.3%)
Net increase in cash and cash equivalents	5,801	34,757	(28,956)	(83.3%)
Cash and cash equivalents at beginning of year	123,088	96,189	26,899	28.0%
Effect of exchange rate changes	(6,328)	(7,858)	(1,530)	(19.5%)
Cash and cash equivalents at end of year	122,561	123,088	(527)	(0.4%)

CASH FLOWS FROM OPERATING ACTIVITIES

The Group generated approximately HK\$6.2 million positive cash flows from operating activities before working capital changes and income tax paid in 2022, which was approximately HK\$16.4 million lower than that in 2021. After changes in working capital and income tax paid, cash inflow of approximately HK\$57.7 million was recorded.

The net cash generated from operating activities for the year ended 31 December 2022 was approximately HK\$57.7 million (2021: net cash used in operating activities of approximately HK\$19.2 million). The improvement mainly contributed to the combined effect of the decrease in cash inflow from operating profit of approximately HK\$16.4 million, decrease in cash outflow from

the change in rental and other deposits and trade and other receivables of approximately HK\$29.2 million, increase in cash inflow from the change in contract assets of approximately HK\$25.3 million, increase in cash inflow from the change in trade and other payables of approximately HK\$37.6 million and increase in cash outflow from the change in contract liabilities of approximately HK\$22.3 million.

CASH FLOWS FROM INVESTING ACTIVITIES

The net cash used in investing activities for the year ended 31 December 2022 was approximately HK\$23.1 million (2021: HK\$5.6 million). The increase in net cash used in investing activities mainly contributed to the increase in payment for the purchase of property, plant and equipment and investment properties of approximately HK\$20.8 million and HK\$9.0 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOWS FROM FINANCING ACTIVITIES

The net cash used in financing activities for the year ended 31 December 2022 was approximately HK\$28.8 million (2021: net cash generated from financing activities of approximately HK\$59.6 million). The deterioration mainly contributed to the decrease in proceeds from bank borrowings of approximately HK\$45.5 million and the increase in repayments of bank borrowings of approximately HK\$53.2 million.

NET CHANGE IN CASH AND CASH EQUIVALENTS

The net increase in cash and cash equivalents for the year ended 31 December 2022 was approximately HK\$5.8 million (2021: HK\$34.8 million). The negative effect of exchange rate changes and cash and cash equivalents at end of year remained relatively stable at approximately HK\$6.3 million (2021: HK\$7.9 million) and HK\$122.6 million (2021: HK\$123.1 million) respectively.

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2022, the Group's net current assets of approximately HK\$70.4 million showing a strong liquidity. The liquidity ratio as at 31 December 2022, represented by a ratio of current assets over current liabilities, was 1.4 times (2021: 1.6 times), reflecting the adequacy of financial resources.

The Group expresses its gearing ratio as a percentage of total borrowings (i.e. bank borrowings, loan from shareholders, amount due to a shareholder and lease liabilities) over total equity. As at 31 December 2022, the gearing ratio was 50.6% (2021: 64.7%). The decrease was due to repayment of bank borrowings. The Group had variable rate bank borrowings in US\$ and KRW of approximately US\$0.8 million and KRW5,800 million respectively, which were equivalent to approximately HK\$41.8 million (2021: approximately HK\$83.8 million).

As at 31 December 2022, the Group recorded cash and cash equivalents of approximately HK\$122.6 million (2021: HK\$123.1 million), which included approximately KRW16,395 million, HK\$17.4 million, US\$0.5 million and small amount of Singapore Dollars and Chinese Yuan.

The above reflected that the Group has healthy liquidity and adequate financial resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

The Group's business in Korea is exposed to currency risk that mainly arose from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are in US\$). In preparing the costing of our system integration project in which procurement of components in US\$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US\$ between the costing date and the relevant settlement date.

Revenue and cost of our Hong Kong operation are mainly denominated in HK\$ and US\$. Hence, there is no significant currency risk arising from it.

Charges on Group's Assets

None of the Group's assets were charged as at 31 December 2022 (2021: Nil).

Material Investments and Capital Assets

The Group did not have any material investments and acquisition of capital assets for the year ended 31 December 2022 except for the addition of freehold land and buildings and investment properties.

Significant Acquisitions and Disposals

For the year ended 31 December 2022, the Group had not made any significant acquisition or disposal. The Group is seeking appropriate opportunity of business expansion by internal or external resources.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2022 (2021: Nil).

Capital Commitment

As at 31 December 2022, the Group has outstanding capital commitments of approximately HK\$1.5 million (2021: HK\$30.9 million) related to office renovation (2021: related to acquisition of properties).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

	HK\$'000
Opening backlog as at 1 January 2022	133,379
New booking during the year	645,961
Revenue recognised during the year	(617,641)
Closing backlog as at 31 December 2022	161,699

During the year ended 31 December 2022, COVID-19 was continuously threaten our life and the number of infection hit the highest in 2022. Our business were interrupted by the tighten restriction measures imposed by the government of Korea and Hong Kong. Even though our operation entities awarded more businesses in 2022, revenue from all segments has decreased due to postponed projects implementation.

Key performance indicators

	2022	2021	Change
	KRW'million	KRW'million	%
Average productivity per operating staff – Korea	775/employee	665/employee	+16.5%
	HK\$'000	HK\$'000	%
Average productivity per operating staff – Hong Kong	1,438/employee	1,843/employee	-22.0%
	KRW'million	KRW'million	%
Average contract price for system integration project	188	95	+97.9%
	Number of projects	Number of projects	Number of projects
Number of new system integration projects awarded	450	765	-315

MANAGEMENT DISCUSSION AND ANALYSIS

Tightening of social distancing measures in 2022 has increased the difficulty of meeting with customers. As a result, the operation entities tended to focus on the project with larger contract amount.

Employees and Remuneration Policy

As at 31 December 2022, the Group had an aggregate of 254 (2021: 222) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total employee costs, including Directors' emoluments, amounted to approximately HK\$86.8 million for the year ended 31 December 2022 (2021: HK\$103.7 million).

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. As at 31 December 2022, no share option had been granted (2021: Nil).

In enhancing the competitiveness and improving staff quality through continuous learning, the Group provides our staff with regular technical and on-the-job trainings and encourages our staff to attend external seminars and sit for examinations to develop their knowledge continuously.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Tao Hongxia (陶虹遐), aged 49, is an executive Director and Chairlady of our Board. Ms. Tao is also a sole beneficial owner and a sole director of Gorgeous Real Investment Holding Limited. She is the sister of Mr. Tao Guolin and Mr. Tao Jian who is the substantial shareholder of the Company. Ms. Tao obtained her bachelor's degree from Southwest Institute of Technology* (西南工學院) (currently known as Southwest University of Science and Technology* (西南科技大學)) in Chongqing of the People's Republic of China (the "PRC") in June 1996. Ms. Tao has extensive experience in supply chain-related and real estate-related multi-industry management. She had served in a number of companies, including Jinke Property Group Co., Ltd (金科地產集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000656)) with her last position being the person in charge of the procurement centre, Chongqing Hongtao Culture Media Co., Ltd.* (重慶虹淘文化傳媒有限公司) as the chairlady of the board of directors, Chongqing Hongtai Real Estate Co., Limited* (重慶

市宏泰房地產公司) as the cooperative resources general manager, Chongqing Jianglong Construction Group* (重慶市江龍建設集團) as the general manager of the cost control department and Chongqing City Hongtao Investment Company Limited* (重慶市虹淘投資股份有限公司) as the chairlady of the board of directors.

Ms. Tao was the executive director, general manager and legal representative of Chongqing Hongtao Network Technology Co., Ltd.* (重慶虹淘網絡科技有限公司), a company established in the PRC with limited liability which principally engaged in computer network technology development and technical consultancy services, immediately prior to its dissolution by voluntary deregistration on 20 June 2019 as the company was inactive.

Mr. Lee Seung Han (李承翰), aged 52, is the co-founder of our Group, an executive Director and the chief executive officer of our Group. Mr. Lee is also a director of Global Telecom Company Limited ("Global Telecom"), Future Data Limited and SuperChips Limited. Mr. Lee is mainly responsible for the overall management with focus on business development of our Group. In particular, Mr. Lee is responsible for the formulation of corporate strategy and the supervision and management of the business development of our Group.

Mr. Lee obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Lee has over 26 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Lee started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

*For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tao Guolin (陶國林), aged 55, was appointed as an executive Director of our Group on 25 August 2021 and the group general manager on 31 October 2022. He is the elder brother of Ms. Tao Hongxia and Mr. Tao Jian who is the substantial shareholder of the Company. Mr. Tao obtained his bachelor's degree in business administration, majoring in marketing, from Beijing University of Technology (北京工業大學) in Beijing of the PRC in July 2001. Mr. Tao has extensive experience in trading and commerce as well as the real estate industry. He served as a deputy head of the supervisory committee of Jinke Property Group Co., Ltd (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000656), from April 2019 to July 2021. Mr. Tao has been working as a supervisor of Chongqing Xinshili Investment Company

Limited* (重慶新實力投資有限公司) since August 2014 and is principally responsible for overseeing its strategic planning and management. He has been the president of Chongqing Home Furnishing Industry Chamber of Commerce* (重慶市家居行業商會) since December 2015. Mr. Tao has a broad business network in the PRC. The significant business development experience and the broad business network that Mr. Tao possesses would be conducive to the Group's development of its cybersecurity software business as well as exploration of business opportunities in the Asian region, especially in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kin Ming (陳建明), aged 34, is an independent non-executive Director, chairman of our audit committee and members of our remuneration committee and nomination committee. Mr. Chan has over 10 years of experience in auditing and finance. Mr. Chan currently serves as the company secretary of China Environmental Energy Investment Limited (中國環保能源投資有限公司), a company listed on the Main Board of the Stock Exchange (stock code 986). Mr. Chan worked for an international audit firm with his last position being an audit manager and has experience in performing audits for listed companies. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accounting from the Edinburgh Napier University.

*For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Chi Cheung Albert (林智祥), aged 45, is an independent non-executive Director, chairman of our remuneration committee and members of our audit committee and nomination committee. Mr. Lam has approximately 23 years of experience in the information and communication technology industry. Mr. Lam is a co-founder and the chief marketing officer of NOVELTE ROBOTICS LIMITED, a company incorporated in Hong Kong which principally engages in the provision of robotics solutions and computer vision technology. He was the chief executive officer of EMBRAZZ DIGITAL TECHNOLOGY LIMITED* (北京啟燁數碼科技有限公司), a company established in the PRC with limited liability which principally engages in the design and development of online applications, from July 2017 to December 2019. From 2013 to 2017, Mr. Lam worked at PricewaterhouseCoopers with his last position being an associate director and was responsible for technology innovation and project planning. From August 2009 to August 2013, Mr. Lam worked

at TOUCHMEDIA, a digital design house, with his last position being the general manager.

Mr. Lam obtained a degree of Master of Science in China Business Studies from The Hong Kong Polytechnic University in November 2004. In December 1999, Mr. Lam obtained a degree of Bachelor of Engineering in Industrial Management and Manufacturing Systems Engineering from The University of Hong Kong.

Mr. Yu Wing Chung (俞穎聰), aged 43, is an independent non-executive Director, chairman of our nomination committee and members of our audit committee and remuneration committee. Mr. Yu has over 15 years of experience in auditing and finance. Mr. Yu is a practicing Certified Public Accountant and has provided auditing and accounting services to his clients since 2016. Mr. Yu served as the financial controller of New Progress Construction Company Limited from January 2018 to August 2021. He worked at RSM Hong Kong from May 2005 to May 2016, with his last position being a manager in the Audit & Assurance Services Department. Mr. Yu was admitted as an associate of The Institute of Chartered Accountants in England and Wales in January 2021. He was admitted as a fellow and a member of the Hong Kong Institute of Certified Public Accountants in July 2016 and January 2008, respectively. Mr. Yu obtained a degree of Bachelor of Arts in Accounting from The Hong Kong Polytechnic University in November 2003.

*For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

As at the date of this annual report, each of our Directors confirms that save for the information shown on the Section "Corporate Information" of this annual report and save as disclosed above: (i) he/she has not held directorships in the past three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in the Report of the Directors of this annual report, he/she does not have any interests in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); (iii) there was no information that should be disclosed pursuant to Rule 17.50(2) of

the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the shareholders of the Company.

SENIOR MANAGEMENT

Mr. Suh Seung Hyun (徐承鉉), aged 53, is a director of Global Telecom, a wholly-owned subsidiary of the Company. Mr. Suh is mainly responsible for the overall management with focus on the operation of our business. In particular, Mr. Suh is responsible for overseeing the financial well-being of our Korean business, monitoring our business units in achieving internal sales target and market share target, as well as supervising the provision of our services to customers.

Mr. Suh obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Suh has over 25 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Suh started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Jun Su (李俊洙), aged 50, is the head of security technical support team. Mr. Lee Jun Su is responsible for leading the security technical support team of Global Telecom.

Mr. Lee Jun Su joined our Group as a network engineer of Global Telecom in September 1997 and has accumulated more than 24 years of experience in the information and communications technology industry.

Mr. Lee Jun Su obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1998.

Mr. Ryoo Seong Ryul (柳晟烈), aged 49, is the general manager of finance department of Global Telecom. Mr. Ryoo is mainly responsible for the financial planning, budgeting and control and administration matters of the Group.

Mr. Ryoo obtained a bachelor's degree in business administration from Korea Aerospace University in Korea in February 1996.

Mr. Ryoo has over 21 years of experience in finance and human resource. Mr. Ryoo started his career in the trading department in Yoolim Fishingnet Co., Ltd. from May 1998 to April 2000, with last position being an assistant manager. In June 2000, Mr. Ryoo was appointed as the

account and finance manager in KG INICIS Co., Ltd. (Stock code: 035600), a company principally engaged in the provision of payment gateway service and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in November 2004. In November 2004, Mr. Ryoo was appointed as the general management team manager in Plantynet Co., Ltd. (Stock code: 075130), a company principally engaged in the provision of internet security software and services and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in June 2005. Mr. Ryoo joined our Group in July 2005 as the general manager of Finance department of Global Telecom.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Park Hyeong Jin (朴炯進), aged 54, is the co-founder of our Group and the chief technical officer of Global Telecom. He is mainly responsible for technological development and overall management of technical support team of Global Telecom.

Mr. Park obtained a bachelor's degree in computer science from The University of Suwon in Korea, in February 1996.

Mr. Park has over 26 years of experience in the information and communication technology industry. Prior to co-founding our Group, Mr. Park started his career in ShinLa Information Communications Company Limited, a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Yang Beomsuk (梁範錫), aged 49, has joined Global Telecom in 2011 as general manager and will be resigned two years later. In March 2017, he rejoined our Group in Korea as general manager of surveillance platform unit.

Mr. Yang started his career in 1998 in an electronics parts manufacturing company as assistant manager. After graduation of his bachelor's degree at Korea Soongsil Cyber University in 2005, he joined a company in information and technology industry and accumulated 17 years of experience in this industry.

Mr. Chung Pui Nam Roger (鍾沛南), aged 54, is the CEO of the cyber security business. He has over 33 years of experiences in the Information Technology and Cyber Security Advisory Industry for Asia. Mr. Chung is responsible for business strategy, overall sales, research & development and operational management of Maximus Consulting (Hong Kong) Limited ("Maximus HK") since April 2003.

Prior to the establishment of Maximus HK, Mr. Chung held various technical and senior management positions in companies listed in NASDAQ (Borland, Symantec and Valicert) and in a multi-national airline company. Mr. Chung has expertise in software design and development (DevOps), system engineering and enterprise security technologies.

Mr. Chung holds EMBA and a computer engineering degree from the Queen's University of Brighton and Brighton Polytechnic in 1992.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that the shareholders of the Company ("Shareholders") wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interest of the Shareholders and to enhance the corporate value, accountability and transparency of the Company.

The Company's corporate governance framework has been in place and established a set of policies and procedures based on the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has applied the principles as set out in the CG Code. Throughout the year ended 31 December 2022, the Company has complied with the code provisions as set out in the CG Code which is adopted as its own code to govern its corporate governance practices. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to its latest development.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted its securities dealing code ("Securities Dealing Code") which is no less exacting than the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his compliance with the Securities Dealing Code throughout the year ended 31 December 2022.

The Company has also adopted the Securities Dealing Code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities. No incidence of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors.

Executive Directors:

Ms. Tao Hongxia (*Chairlady*)

(appointed on 31 October 2022)

Mr. Suh Seung Hyun (*Chairman*)

(resigned on 31 October 2022)

Mr. Phung Nhuong Giang (*Deputy Chairman*)

(resigned on 31 October 2022)

Mr. Lee Seung Han (*Chief Executive Officer*)

Mr. Ryoo Seong Ryul (*Chief Financial Officer*)

(resigned on 31 October 2022)

Mr. Tao Guolin (*Group General Manager*)

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors:

Mr. Wong Sik Kei

(resigned on 31 October 2022)

Mr. Lam Chi Cheung Albert

(appointed on 31 October 2022)

(Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)

Mr. Sum Chun Ho

(resigned on 31 October 2022)

Mr. Chan Kin Ming

(appointed on 31 October 2022)

(Chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee)

Mr. Yung Kai Tai

(resigned on 31 October 2022)

Mr. Yu Wing Chung

(appointed on 31 October 2022)

(Chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee)

The relationships between the Directors and biographical information of the Directors are set out under the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The position of Chairlady is held by Ms. Tao Hongxia and she provides leadership and is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. The position of Chief Executive Officer is held by Mr. Lee Seung Han and he is responsible for the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2022, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year end 31 December 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code states that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for a specific term of two to three years, subject to renewal after the expiry of the then current term or termination by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a term of one year, subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Each of the Directors is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the articles of association of the Company ("Articles"). The term of offices of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

**CORPORATE
GOVERNANCE REPORT**

The Directors have participated in the following trainings during the year ended 31 December 2022:

	Types of training
Executive Directors	
Ms. Tao Hongxia ^(Note 1)	A, B
Mr. Suh Seung Hyun ^(Note 2)	A, B
Mr. Phung Nhuong Giang ^(Note 3)	A, B
Mr. Lee Seung Han	A, B
Mr. Ryoo Seong Ryul ^(Note 4)	A, B
Mr. Tao Guolin	A, B
Independent non-executive Directors	
Mr. Wong Sik Kei ^(Note 5)	A, B
Mr. Sum Chun Ho ^(Note 6)	A, B
Mr. Yung Kai Tai ^(Note 7)	A, B
Mr. Chan Kin Ming ^(Note 8)	A, B
Mr. Lam Chi Cheung Albert ^(Note 9)	A, B
Mr. Yu Wing Chung ^(Note 10)	A, B

A Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Notes:

- (1) Ms. Tao Hongxia was appointed as executive Director with effect from 31 October 2022.
- (2) Mr. Suh Seung Hyun has resigned as executive Director with effect from 31 October 2022.
- (3) Mr. Phung Nhuong Giang has resigned as executive Director with effect from 31 October 2022.
- (4) Mr. Ryoo Seong Ryul has resigned as executive Director with effect from 31 October 2022.
- (5) Mr. Wong Sik Kei has resigned as independent non-executive Director with effect from 31 October 2022.
- (6) Mr. Sum Chun Ho has resigned as independent non-executive Director with effect from 31 October 2022.
- (7) Mr. Yung Kai Tai has resigned as independent non-executive Director with effect from 31 October 2022.
- (8) Mr. Chan Kin Ming was appointed as independent non-executive Director with effect from 31 October 2022.
- (9) Mr. Lam Chi Cheung Albert was appointed as independent non-executive Director with effect from 31 October 2022.
- (10) Mr. Yu Wing Chung was appointed as independent non-executive Director with effect from 31 October 2022.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

All of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this annual report.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code.

On 31 December 2018, the Board adopted the revised terms of reference of the Audit Committee by a resolution passed on the same date. Such revised terms of reference is posted on the website of the Stock Exchange and of the Company.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems and the internal audit function, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Kin Ming, Mr. Lam Chi Cheung Albert and Mr. Yu Wing Chung. Mr Chan Kin Ming is the chairman of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 December 2022, the Audit Committee held four meetings, to review the remuneration, terms of engagement and independence of the Company's external auditors, review the risk management and internal control systems and internal audit function, the arrangements for employees to raise concerns about possible improprieties, the Group's annual financial results and report for the year ended 31 December 2021; quarterly financial results and reports for the three months and nine months ended 31 March 2022 and 30 September 2022 respectively; and interim financial results and report for the six months ended 30 June 2022 before submission to the Board for approval.

The Audit Committee met the external auditors twice a year without the presence of the executive Directors.

CORPORATE GOVERNANCE REPORT

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the independent auditor's report thereon.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include determining, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee currently consists of three members, Mr. Lam Chi Cheung Albert, Mr. Chan Kin Ming and Mr. Yu Wing Chung, all of whom are independent non-executive Directors. Mr. Lam Chi Cheung Albert is the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

During the year ended 31 December 2022, the Remuneration Committee held one meeting, to review the remuneration packages of Directors and senior management as well as the Company's policy and structure for the remuneration of Directors and senior management.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size, composition and diversity, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee currently consists of three members, Mr. Yu Wing Chung, Mr. Lam Chi Cheung Albert and Mr. Chan Kin Ming, all of whom are independent non-executive Directors. Mr. Yu Wing Chung is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

After discussions and consideration, the Nomination Committee was of the view that the structure, number of members and composition of the Board in 2022 were reasonable and in consistence with the strategies of the Group.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

During the year ended 31 December 2022, the Nomination Committee held one meeting, to review the structure, size and composition of the Board, the Board Diversity Policy and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

CORPORATE GOVERNANCE REPORT

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male: 5 Directors

Female: 1 Director

Age Group

31–40: 1 Director

41–50: 3 Directors

51–60: 2 Directors

Designation

Executive Directors: 3 Directors

Independent non-executive

Directors: 3 Directors

Educational Background

Business Administration: 2 Directors

Account and Finance: 2 Directors

Computer Science and Engineering: 2 Directors

Nationality

Korean: 1 Director

Chinese: 5 Directors

Business Experience

Accounting and Finance: 2 Directors

Information and Communication

Technology: 2 Directors

Real Estate: 2 Directors

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	16.67%	83.33%
Senior Management	–%	100%
Other employees	13.28%	86.72%
Overall work-force	12.99%	87.01%

The Board considers that the above current gender diversity is satisfactory.

CORPORATE GOVERNANCE REPORT

Director Nomination Policy

The Board has delegated its responsibilities to the Nomination Committee for identification and selection of candidates to stand for election as Directors. The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

- (i) The Nomination Committee and the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Board should then make recommendation to Shareholders in respect of the proposed re-election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2022, the Nomination Committee recommended to the Board the appointment of a new executive Director, namely Ms. Tao Hongxia and three independent non-executive Directors, namely Mr. Chan Kin Ming, Mr. Lam Chi Cheung Albert and Mr. Yu Wing Chung. The appointments were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will conduct regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings by directors of securities transactions and the Company's Securities Dealing Code, as well as the Company's compliance with the CG Code and disclosure in this corporate governance report.

**CORPORATE
GOVERNANCE REPORT**

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

The remuneration bands of the members of senior management who are not Directors of the Company for the year ended 31 December 2022 are as follows:

Remuneration bands	Number of Individuals
HK\$ Nil to HK\$1,000,000	5
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	1

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Suh Seung Hyun ^(Note 1)	3/3	N/A	N/A	N/A	1/1
Ms. Tao Hongxia ^(Note 2)	1/1	N/A	N/A	N/A	N/A
Mr. Phung Nhung Giang ^(Note 3)	3/3	N/A	N/A	N/A	1/1
Mr. Lee Seung Han	4/4	N/A	N/A	N/A	1/1
Mr. Ryoo Seong Ryul ^(Note 4)	3/3	N/A	N/A	N/A	1/1
Mr. Tao Guolin	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Chan Kin Ming ^(Note 5)	1/1	1/1	N/A	N/A	N/A
Mr. Lam Chi Cheung Albert ^(Note 6)	1/1	1/1	N/A	N/A	N/A
Mr. Yu Wing Chung ^(Note 7)	1/1	1/1	N/A	N/A	N/A
Mr. Wong Sik Kei ^(Note 8)	3/3	3/3	1/1	1/1	1/1
Mr. Sum Chun Ho ^(Note 9)	3/3	3/3	1/1	1/1	1/1
Mr. Yung Kai Tai ^(Note 10)	3/3	3/3	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

Note:

1. Mr. Suh Seung Hyun has resigned as executive Director with effect from 31 October 2022.
2. Ms. Tao Hongxia was appointed as executive Director with effect from 31 October 2022.
3. Mr. Phung Nhuong Giang has resigned as executive Director with effect from 31 October 2022.
4. Mr. Ryo Seong Ryul has resigned as executive Director with effect from 31 October 2022.
5. Mr. Chan Kin Ming was appointed as independent non-executive Director with effect from 31 October 2022.
6. Mr. Lam Chi Cheung Albert was appointed as independent non-executive Director with effect from 31 October 2022.
7. Mr. Yu Wing Chung was appointed as independent non-executive Director with effect from 31 October 2022.
8. Mr. Wong Sik Kei has resigned as independent non-executive Director with effect from 31 October 2022.
9. Mr. Sum Chun Ho has resigned as independent non-executive Director with effect from 31 October 2022.
10. Mr. Yung Kai Tai has resigned as independent non-executive Director with effect from 31 October 2022.

Four regular board meetings were held during the year ended 31 December 2022.

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

On 24 March 2022, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other Directors.

Independent non-executive Directors have attended the AGM held in 2022 to gain and develop a balanced understanding of the view of Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, inter alia, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses. The risk management process of our Group will involve, inter alia, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

An internal audit function is set up to examine key issues in relation to the financial and operational matters/practices and to provide its findings and any recommendations for improvement to the Audit Committee. As the Group is relatively simple corporate and operation structure, the Board is assisted by its own internal audit function to manage the risks exposed to the Group. During the year, the Group engaged an independent internal control consultant, Premier Advisory Services Limited ("PASL"), to reassess existing internal control policies and to give recommendations to make any enhancement.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorised access and use of information are strictly prohibited.

During the year ended 31 December 2022, the Board, as supported by the Audit Committee, our compliance officer and PASL, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources as well as our ESG performance and reporting.

CORPORATE GOVERNANCE REPORT

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2022, there were no non-compliance cases in relation to bribery and corruption.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The report of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 56 to 61.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

BDO Limited is appointed as the external auditor of the Company.

For the year ended 31 December 2022, the remuneration paid or payable to BDO Limited in respect of audit and non-audit services provided is set out below:

Service rendered	Remuneration paid/payable HK\$'000
Audit services – 2022 annual audit	1,200
Non-audit services	150
Total	1,350

COMPANY SECRETARY

Ms. Cheung Yuet Fan (“Ms. Cheung”) of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services, has been appointed as the company secretary of the Company with effect from 29 January 2021.

Ms. Cheung’s primary contact person at the Company is Ms. Tao Hongxia, Chairlady of the Company.

Ms. Cheung is responsible for providing advice to the Company on corporate governance matters and relevant updates on applicable laws, rules and regulations so as to uphold good corporate governance practices of the Company. All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

For the year ended 31 December 2022, Ms. Cheung has undertaken not less than 15 hours of relevant professional training respectively in compliance with the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders’ meetings, including the election of individual Directors. All resolutions put forward at Shareholders’ meetings of the Company will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders’ meeting of the Company.

CORPORATE GOVERNANCE REPORT

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting (“EGM”) to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 1703, 17/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong, for the attention of the Chairman of the Board.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company’s branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address:	Room 1703, 17/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong
Email:	enquiry@futuredatagroup.com
Fax:	(852) 3568 2576

SHAREHOLDERS' COMMUNICATION AND INVESTOR RELATIONS

- a. The Company places great emphasis on investor relations. The Company office (office of the Board) is responsible for communicating with investors in compliance with regulatory requirements through meetings with, site visits by and setting up email accounts for investors, which enhanced communications with investors.
- b. During the year ended 31 December 2022, for each substantially separate issue at a general meeting, a separate resolution was proposed. All resolutions were voted by poll to safeguard the interests of all Shareholders. A meeting notice was delivered to each shareholder at least 45 days (exclusive of the day of the meeting) prior to shareholders' meetings.
- c. The Company attaches great importance to the communication with Shareholders to ensure that Shareholders can obtain the information of the Company equally and timely, so that Shareholders can exercise their rights and allow Shareholders to actively participate in the affairs of the company. The communication with Shareholders is mainly through the Company's website, Company mailbox, financial reports, annual general meeting and other potential extraordinary general meetings, and other disclosure materials submitted to the Hong Kong Stock Exchange. Shareholders can reach the Company via telephone (+852 3622 1452) or email (enquiry@futuredatagroup.com) to express opinions on various matters of the Company. The Chairlady of the Board hosted the shareholders meetings as the chairman of such meeting. Members of the Board and the senior management also attended shareholders meetings, answered questions raised by Shareholders and listened to suggestions of the Shareholders. The Company has reviewed the implementation of the policies related to shareholder communication during the year ended 31 December 2022, and is of the opinion that the relevant policies are appropriate and effective.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

DIVIDEND POLICY

The Company has adopted a policy on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to the Shareholders.

In recommending the declaration and payment of dividend, the Board shall consider all relevant internal and external factors which include, but not limited to, financial results, liquidity position, capital requirements, general market and economic conditions, as well as our Shareholders' interests.

The recommendation of any final dividend for a financial year will be subject to Shareholders' approval at general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 December 2022. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is engaged in the provision of (i) integration of systems with network connectivity, cloud computing and security elements; (ii) maintenance services and (iii) cyber security services in Korea and Hong Kong.

REVENUE AND SEGMENT INFORMATION

The revenue and segment information of the Group for the year are set forth in the consolidated financial statements on pages 99 to 104 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year and the financial position of the Company and of the Group as at 31 December 2022 are set forth in the consolidated financial statements on pages 62 to 156 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2022, a discussion on the Group's business development and an analysis of the Group's performance using key financial performance indicators are provided in the section headed "Management Discussion and Analysis" in this annual report. In addition, discussions on the principal risks and uncertainties facing the Group, the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, particulars of important events affecting the Group since the financial year ended 31 December 2022 and key relationships with its stakeholders are contained in this "Report of the Directors".

PRINCIPAL RISK AND UNCERTAINTIES

Our Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to our Group's business. The following are the key risks and uncertainties identified by our Group.

REPORT OF THE DIRECTORS

Our integrated systems are provided on a project basis. Such projects are not recurring in nature and our future business depends on our continuing success in securing contracts

For the year ended 31 December 2022, approximately HK\$427.5 million (2021: HK\$505.9 million) of our revenue was generated from our system integration projects, representing approximately 69.2% (2021: 70.2%) of our total revenue. Our Directors believe that the competition in the system integration industry is intense and our ability to secure contracts is one of the critical factors that is important to our success. Our success requires us to maintain good relationships with our existing customers and to develop new relationship with potential customers. Our integrated systems are provided on a project basis and our customers may subsequently engage us in enhancement works or conducting upgrades for the systems integrated by us in previous projects. Our customers may also engage us to integrate new systems after the retirement of outdated systems. However, there is no assurance that the customers will continue to provide us with the new businesses after completion of our projects. In the event that we are unable to succeed in securing existing customers and obtaining sufficient number of recurring and/or new system integration contracts, our competitive advantage may be weakened.

We may not be able to keep up with rapid technological changes and may be driven out of competition

The system integration industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands.

The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and continually improving the know-how of our staff in response to evolving demands of the market place. Failing to adapt to such changes would have a material adverse effect on our business.

ENVIRONMENTAL POLICY

Environmental policy is set out in the “Environmental, Social and Governance Report”, which will be published on the websites of the Company and of the Stock Exchange by the end of March 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, our Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2022.

KEY RELATIONSHIPS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

REPORT OF THE DIRECTORS

Customers

Owing to the fact that our system integration can be applied to various industries, we have a diverse base of customers ranging from small and medium enterprises to multinational corporations and government-owned entities. We will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select suppliers based on our past experience working with them, their reputation in the industry, specification of their hardware and software components, and quality of their after sales service and price.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 December 2022, our largest customer accounted for approximately 7.3% (2021: 7.9%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 28.3% (2021: 28.1%).

For the year ended 31 December 2022, our largest supplier accounted for approximately 21.7% (2021: 23.3%) of our total costs of hardware and software component incurred, while the percentage of our total costs of hardware and software component incurred attributable to our five largest suppliers in aggregate was approximately 43.3% (2021: 47.4%).

For the year ended 31 December 2022, our largest subcontractor amounted to approximately 41.8% (2021: 31.0%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 60.0% (2021: 58.3%).

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the share option scheme.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 157 of this annual report. This summary does not form part of the consolidated financial statements for the year.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of investment properties are set out in note 17 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of movements in intangible assets of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no retained profit available for distribution to Shareholders of the Company. However, in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Articles, the share premium account of the Company of HK\$35,718,000 is subject to solvency test, available for distribution to Shareholders.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 21 June 2016 (the "Scheme") as approved by a resolution of the Shareholders passed on 21 June 2016.

REPORT OF THE DIRECTORS

Details of the Scheme are as follows:

- | | |
|---|--|
| 1. Purpose of the Scheme | To provide an incentive or a reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. |
| 2. Eligible participants to the Scheme | Any employee (full-time or part-time), director, supplier and customer of the Group or any invested entity; any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any invested entity; and any person (who in the sole discretion of the Board) has contributed or may contribute to the Group or any invested entity. |
| 3. Total number of shares available for issue under the Scheme and percentage to the issued shares as at the date of this annual report | 40,000,000 shares (equivalent to 10% of the total number of shares of the Company ("Shares") in issue on the listing date of the Company, being 8 July 2016. |
| 4. Maximum entitlement of each participant under the Scheme | Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting. |
| 5. The period within which the option may be exercised by the grantee under the Scheme | A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme. |
| 6. The vesting period of options granted under the Scheme | Unless otherwise determined by the Board in accordance with the provisions of Chapter 23 of the GEM Listing Rules, the vesting period for options granted shall not be less than 12 months. |
| 7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made | The payment or remittance of HK\$1.00 within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules. |
| 8. The basis of determining the exercise price | Being determined by the Board and shall be at least the highest of: <ul style="list-style-type: none"> (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date. |
| 9. The remaining life of the Scheme | The Scheme is valid and effective for a period of ten (10) years commencing on 21 June 2016 (being the date of adoption of the Scheme). Accordingly, the remaining life of the Scheme is approximately 3 years. |

REPORT OF THE DIRECTORS

The number of options available for grant under the existing Scheme limit as at 1 January 2022 and 31 December 2022 and the maximum number of Shares which may be issued upon exercise of all options that may be granted under the existing Scheme limit is 40,000,000 Shares, representing approximately 8.33% of the Company's issued share capital as at the date of this annual report.

No share option has been granted under the Scheme since the adoption of the Scheme.

Further details of the Scheme are set out in note 34 to the consolidated financial statements.

DIRECTORS

The Board during the year and up to the date of this report are as follows:

Executive Directors

Ms. Tao Hongxia (*Chairlady*)
(*appointed on 31 October 2022*)
Mr. Suh Seung Hyun (*Chairman*)
(*resigned on 31 October 2022*)
Mr. Phung Nhuong Giang (*Deputy Chairman*)
(*resigned on 31 October 2022*)
Mr. Lee Seung Han (*Chief Executive Officer*)
Mr. Ryoo Seong Ryul (*Chief Financial Officer*)
(*resigned on 31 October 2022*)
Mr. Tao Guolin (*Group General Manager*)

Independent non-executive Directors

Mr. Wong Sik Kei
(*resigned on 31 October 2022*)
Mr. Sum Chun Ho
(*resigned on 31 October 2022*)
Mr. Yung Kai Tai
(*resigned on 31 October 2022*)
Mr. Chan Kin Ming
(*appointed on 31 October 2022*)
Mr. Lam Chi Cheung Albert
(*appointed on 31 October 2022*)
Mr. Yu Wing Chung
(*appointed on 31 October 2022*)

With effect from 31 October 2022, each of Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang and Mr. Ryoo Seong Ryul has resigned as an executive Director; and each of Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai has resigned as an independent non-executive Director.

Following the resignations of Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang and Mr. Ryoo Seong Ryul as executive Directors, Mr. Suh Seung Hyun has also resigned as the Chairman of the Board, Mr. Phung Nhuong Giang has also resigned as the deputy chairman of the Board and Mr. Ryoo Seong Ryul has also resigned as the chief financial officer of the Group with effect from 31 October 2022.

REPORT OF THE DIRECTORS

The resignation of the aforesaid Directors (collectively, the “Outgoing Directors”) was due to the change in control of the Company and the wishes of the Outgoing Directors to focus on personal affairs and other business engagements. Each of the Outgoing Directors has confirmed that he has no disagreement with the Board and there are no matters in respect of his resignation that need to be brought to the attention of the Shareholders, the Hong Kong Stock Exchange or other regulatory authorities.

Mr. Chan Kin Ming, Mr. Lam Chi Cheung Albert and Mr. Yu Wing Chung are independent non-executive Directors and have entered into a letter of appointment with the Company for an initial term of one year commencing on 31 October 2022 (subject to retirement by rotation and re-election in accordance with the Articles).

In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such general meeting. Any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting and shall be eligible for re-election.

In accordance with articles 84(1) and 84(2) of the Articles, Mr. Lee Seung Han shall retire at the forthcoming AGM. In addition, each of Ms. Tao Hongxia, Mr. Chan Kin Ming, Mr. Lam Chi Cheung Albert and Mr. Yu Wing Chung who have been appointed by the Board on 31 October 2022 shall hold office until the conclusion of the forthcoming AGM pursuant to Article 83(3) of the Articles. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS’ SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out under the section headed “BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT” in this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

No forfeited contribution under retirement benefit schemes is available to reduce the contribution payable in future years.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the loan to a shareholder/ultimate holding company disclosed in note 24, amount due to a shareholder disclosed in note 28 and loans from shareholders disclosed in note 27 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

During the year ended 31 December 2022, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Disclosure of Interests" below and "Share Option Scheme" in note 34 to the consolidated financial statements, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2022, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

REPORT OF THE DIRECTORS

Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital ^(Note 6)
Mr. Lee Seung Han <small>(Notes 1 and 2)</small> ("Mr. Lee")	Interest held jointly with other persons/ Interest in controlled corporation	14,000,000	3.50%
Ms. Tao Hongxia <small>(Note 3)</small>	Interest in controlled corporation	142,411,750	35.60%
Mr. Tao Guolin <small>(Notes 4 and 5)</small> ("Mr. Tao")	Beneficial owner/Interest in controlled corporation	122,917,327	30.73%

Notes:

- (1) LiquidTech Limited ("LiquidTech") held 14,000,000 Shares, representing 3.50% of the issued Shares. LiquidTech is wholly owned by Asia Media Systems Pte. Ltd. ("AMS") which is owned by Mr. Phung Nhuang Giang ("Mr. Phung"), Mr. Suh Seung Hyun ("Mr. Suh"), Mr. Lee, Mr. Park Hyeoung Jin ("Mr. Park"), Mr. Lee Sung Gue, Mr. Lee Je Eun and Ms. Marilyn Tang as to 18.14%, 25.34%, 22.71%, 14.03%, 14.03%, 3.40% and 2.35% respectively.
- (2) On 21 June 2016, four of the ultimate controlling shareholders of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 3.50% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 3.50% interest in the share capital of the Company.
- (3) Gorgeous Real Investment Holding Limited ("Gorgeous Real") held 142,411,750 shares of the Company which is wholly owned by Ms. Tao Hongxia.
- (4) On 2 July 2021, LiquidTech and Mr. Tao have entered into a sale and purchase agreement, whereby LiquidTech agreed to sell and Mr. Tao agreed to purchase 22,917,327 shares representing approximately 5.73% interest in the share capital of the Company.
- (5) Variant Wealth Investment Development Limited ("Variant Wealth") acquired 100,000,000 shares from LiquidTech. Variant Wealth is wholly owned by Mr. Tao.
- (6) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2022 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests in the Shares and Underlying Shares

As at 31 December 2022, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the

Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

Long Positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital ^(Note 4)
Gorgeous Real Investment Holding Limited ^(Note 1)	Beneficial owner	142,411,750	35.60%
Variant Wealth Investment Development Limited ^(Note 2)	Beneficial owner	100,000,000	25.00%
Ms. Han Lerong ^(Note 3)	Interest of spouse	122,917,327	30.73%
Mr. Tao Jian	Beneficial owner	20,000,000	5.00%

Notes:

- (1) Gorgeous Real held 142,411,750 shares which is wholly owned by Ms. Tao Hongxia.
- (2) Variant Wealth acquired 100,000,000 shares from LiquidTech. Variant Wealth is wholly owned by Mr. Tao.
- (3) Ms. Han Lerong is the spouse of Mr. Tao. Ms. Han Lerong is deemed to be interested in all the Shares in which Mr. Tao is interested under Part XV of the SFO.
- (4) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2022 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

REPORT OF THE DIRECTORS

INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2022, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2022, the Group entered into a related party transaction as set out in note 39(a) to the consolidated financial statements. The related party transaction disclosed in note 39(a) to the consolidated financial statements is a connected transaction that is fully exempt from reporting, announcement and independent Shareholders' approval pursuant to the GEM Listing Rules. The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules in respect of such connected transaction.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities.

DONATIONS

Charitable or other donations made by the Group during the year ended 31 December 2022 amounted to approximately HK\$6,000 (2021: HK\$7,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules during the year ended 31 December 2022 and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the annual general meeting

The register of members of the Company will be closed from Thursday, 4 May 2023 to Tuesday, 9 May 2023 (both days inclusive, 4 business days in total) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 May 2023.

USE OF PROCEEDS

On 6 August 2021, the Board has resolved to revise the proposed use of the net proceeds from the placing. The Directors are of the view that the use of the proceeds shall be appropriately adjusted to better adapt and cope with the current market conditions and economic environment. The Board considers the reallocation and change in use of proceeds would be more in line with the current business needs of the Group and would enable the Group to deploy its financial resources in a more efficient and effective manner.

REPORT OF THE DIRECTORS

The net proceeds for the year ended 31 December 2022 were used as follows:

	Planned use of net proceeds from 6 August 2021 up to 31 December 2022 (HK\$ million)	Actual use of net proceeds up to 31 December 2022 (HK\$ million)
Setting up new services points in Korea and other Asian countries	14.0	2.0
Setting up office in Hong Kong	0.8	0.8
Development of big data platform and cybersecurity software application capabilities		
– Acquiring a big data platform intellectual property for cybersecurity	4.9	4.9
– Acquiring a cybersecurity software application	7.0	7.0
– Recruiting a team of security experts in Hong Kong	3.4	3.4
General working capital	1.5	1.5
Total	31.6	19.6

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from 8 July 2016 to 31 December 2022 ("Review Period") is set out below:

Business strategies	Implementation activities	Sources of funding during the Review Period	Actual business progress during the Review Period
Expanding market share by setting up new service points in Korea and other Asian countries	– Setting up an office, acquiring equipment and recruiting new staff in Korea and other Asian countries	– Listing proceeds of approximately HK\$14.0 million	– Setting up an office and recruiting in Asian countries were in progress.
Development of big data platform and cyber security software application capabilities	– Acquisition of software intellectual property platforms will be integrated to form part of the security operations center (Black Diamond) which is a key business differentiator form other market players	– Listing proceeds of approximately in total HK\$11.9 million	– The Group has bought the platforms totally in HK\$11.9 million for Hong Kong operations and contributed revenue to the Group.
	– Recruitment of cyber security expert team shall be responsible for the provision of intelligence-lead cyberattack simulation testing services	– Listing proceeds of approximately in total HK\$3.4 million	– The professional team cost was HK\$3.4 million and contributed revenue to the Group's cyber security business in Hong Kong operations since 2017.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISIONS

Under the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

As a data technology service provider in Korea and Hong Kong, the Group actively adheres to the enterprises' environmental and social responsibilities. We are mindful of our social responsibility and commitment in engaging our stakeholders to build a greener future.

Discussions on the Company's environmental, social, and governance practices, relationships with stakeholders and compliance with relevant laws and regulations which have a significant impact on the Company are contained in the sustainability review in the Environmental, Social and Governance Report, which will be published on the websites of the Company and of the Stock Exchange by the end of March 2023.

AUDITOR

BDO Limited has been appointed as auditor of the Company and has audited the Group's financial statements for the year ended 31 December 2022.

The Company has not changed its external auditor during the year ended 31 December 2022 and up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of BDO Limited as the auditor of the Company.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information which were required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are as follows:

1. Mr. Suh Seung Hyun, executive Director, has resigned as executive Director and the chairman of the Board with effect from 31 October 2022.
2. Ms. Tao Hongxia, executive Director, was appointed as executive Director, the chairlady of the Board and an authorised representative of the Company under Rule 5.24 of the GEM Listing Rules with effect from 31 October 2022.
3. Mr. Tao Guolin, executive Director, was appointed as the group general manager of the Company on 31 October 2022.
4. Mr. Phung Nhuong Giang, executive Director, has resigned as executive Director, the deputy chairman of the Board, an authorised representative of the Company under Rule 5.24 of the GEM Listing Rules and an authorized representative of the Company to accept service of process or notice on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance with effect from 31 October 2022.
5. Mr. Ryoo Seong Ryul, executive Director, has resigned as executive Director and the chief financial officer of the Group with effect from 31 October 2022.
6. Mr. Chan Kin Ming, independent non-executive Director, was appointed as independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee with effect from 31 October 2022.

REPORT OF THE DIRECTORS

7. Mr. Lam Chi Cheung Albert, independent non-executive Director, was appointed as independent non-executive Director, the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee with effect from 31 October 2022.

an aggregate of 80,000,000 ordinary shares at price of HK\$0.22 per placing share (the "2023 Placing") to not less than six places. The net proceeds from the 2023 Placing was approximately HK\$17.2 million (after deduction of commission and other expenses of the Placing). The Group intended to use the net proceeds for repayment of indebtedness and replenishing the working capital of the Group to support its business operations. There was a discount of approximately 18.52% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on 26 January 2023.
8. Mr. Yu Wing Chung, independent non-executive Director, was appointed as independent non-executive Director, the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee with effect from 31 October 2022.

The 2023 Placing has been completed on 17 February 2023 ("Date of Completion"). All the 80,000,000 placing shares have been successfully placed by the Placing Agent. The 80,000,000 placing shares represent 20.00% of the existing issued share capital of the Company before the Date of Completion and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares upon the Date of Completion.
9. Mr. Wong Sik Kei, independent non-executive Director, has resigned as independent non-executive Director, the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee with effect from 31 October 2022.

The net proceeds from the 2023 Placing amounted to approximately HK\$17.2 million (after deduction of commission and other expenses of the 2023 Placing). The Directors intend to use the net proceeds for repayment of indebtedness and replenishing the working capital of the Group to support its business operations.
10. Mr. Sum Chun Ho, independent non-executive Director, has resigned as independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee with effect from 31 October 2022.

Further details of the 2023 Placing and the result of the 2023 Placing are set out in the Company's announcements dated 26 January 2023 and 17 February 2023, respectively.
11. Mr. Yung Kai Tai, independent non-executive Director, has resigned as independent non-executive Director, the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee with effect from 31 October 2022.

On Behalf of the Board

EVENT AFTER THE REPORTING DATE

On 26 January 2023, the Company and Business Securities Limited (the "Placing Agent"), entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, up to

Tao Hongxia
Chairlady

28 March 2023

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF FUTURE DATA GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Future Data Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 156, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from contracts for system integration and cyber security services

(refer to notes 4(k), 5, 6 and 7 to the consolidated financial statements)

For the year ended 31 December 2022, the Group recognised revenue of approximately HK\$457,677,000 related to the Group's revenue from contracts for system integration and cyber security services.

Revenue from contracts for system integration and cyber security services involves a number of projects and is recognised under the input method which requires estimation made by management for each project based on the followings:

- Budgeted contract costs; and
- Expected cost to complete the contracts

We have identified this as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements and the judgement required in applying the input method for recognising revenue from contracts for system integration and cyber security services.

Our response

Our procedures in relation to the revenue from contracts for system integration and cyber security services included:

- Understanding the design of internal controls over revenue recognition;
- Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers;
- Selecting a sample of incomplete contracts as at year end and checked calculation of significant components of budgeted contract costs to supporting documents such as purchase orders of equipment and contracts with subcontractors;

INDEPENDENT AUDITOR'S REPORT

- Selecting a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs; and
- Re-performing on a sample basis the calculation of revenue recognised during the year based on the input method.

Impairment assessment on trade and bills receivables and contract assets

(refer to notes 4(i), 5, 23, 25(a) and 43(a) to the consolidated financial statements)

As at 31 December 2022, gross trade and bills receivables and contract assets and its related impairment allowances amounted to HK\$128,616,000 and HK\$15,176,000 respectively. In performing an impairment assessment on trade and bills receivables, management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade and bills receivables, and also forward-looking analysis. The Group determined the expected credit loss rates of contract assets based on those rates applied to trade and bills receivables as contract assets and trade and bills receivables are from the same customer bases.

We have identified this as a key audit matter because the assessment of impairment for trade and bills receivables and contract assets involves significant management judgements and estimates on the amount of expected credit losses at the reporting date.

Our response

Our procedures in relation to the impairment assessment on trade and bills receivables and contract assets included:

- Understanding the design, implementation and operating effectiveness of key controls which govern credit control, debt collection and estimate of expected credit losses;
- Obtaining an understanding of the Group's credit risk management and practices, and assessed the Group's impairment provision policy in accordance with the requirements of HKFRS 9;
- Assessing, on a sample basis, whether items in the trade and bills receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant invoices; and

INDEPENDENT AUDITOR'S REPORT

- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number P06693

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	617,641	720,569
Cost of services		(559,320)	(636,281)
Gross profit		58,321	84,288
Other income	8	2,855	2,484
Reversal of impairment of trade and bills receivables, net	43(a)	761	2,262
Selling and administrative expenses		(63,073)	(72,522)
Finance costs	9	(1,317)	(808)
(Loss)/profit before income tax	10	(2,453)	15,704
Income tax expense	12	(1,516)	(7,014)
(Loss)/profit for the year		(3,969)	8,690
Other comprehensive income for the year			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Recognition of actuarial gains on defined benefit obligations	31	2,360	202
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(7,093)	(10,223)
Total other comprehensive expense		(4,733)	(10,021)
Total comprehensive expense for the year		(8,702)	(1,331)
(Loss)/profit attributable to:			
Owners of the Company		(3,346)	7,250
Non-controlling interests	38	(623)	1,440
		(3,969)	8,690
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(8,079)	(2,771)
Non-controlling interests		(623)	1,440
		(8,702)	(1,331)
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents)	14	(0.77)	1.68
			(Re-presented)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	41,394	7,342
Investment properties	17	14,780	–
Intangible assets	18	1,174	4,090
Goodwill	19	7,534	7,534
Other financial assets	20	4,416	4,554
Deposits for acquisition of properties	21	–	19,420
Rental and other deposits		722	1,451
Prepayments	23	685	3,842
Defined benefit assets	31	3,089	–
Deferred tax assets	30	6,750	7,092
		80,544	55,325
Current assets			
Inventories	22	12,675	13,982
Trade and other receivables	23	111,174	110,156
Contract assets	25(a)	6,150	28,482
Prepayments	23	5,273	13,020
Loan to a shareholder/ultimate holding company	24	–	5,829
Fixed bank deposits		1,857	4,196
Cash and cash equivalents		122,561	123,088
		259,690	298,753
Current liabilities			
Trade and other payables	26	116,655	84,085
Contract liabilities	25(b)	21,894	34,120
Loan from a shareholder	27	5,000	–
Amount due to a shareholder	28	1,376	–
Lease liabilities	32(b)	1,723	2,236
Bank borrowings	29	41,809	68,383
Tax payable		879	1,583
		189,336	190,407
Net current assets		70,354	108,346
Total assets less current liabilities		150,898	163,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Lease liabilities	32(b)	2,879	858
Bank borrowings	29	–	15,449
Loans from shareholders	27	14,684	5,000
Defined benefit obligations	31	–	327
		17,563	21,634
Net assets			
		133,335	142,037
EQUITY			
Share capital	33	4,000	4,000
Reserves		127,860	135,939
Equity attributable to owners of the Company		131,860	139,939
Non-controlling interests	38	1,475	2,098
Total equity		133,335	142,037

On behalf of the board of directors

Ms. Tao Hongxia
Director

Mr. Lee Seung Han
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital (Note 33) HK\$'000	Share premium* (Note 36(a)) HK\$'000	Capital reserve* (Note 36(b)) HK\$'000	Research and development reserve* (Note 36(c)) HK\$'000	Foreign exchange reserve* (Note 36(d)) HK\$'000	Legal reserve* (Note 36(e)) HK\$'000	Retained earnings* HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests (Note 38) HK\$'000	Total HK\$'000
Balance at 1 January 2021	4,000	35,718	13,855	3,674	741	2,490	82,232	142,710	658	143,368
Profit for the year	-	-	-	-	-	-	7,250	7,250	1,440	8,690
Recognition of actuarial gains on defined benefit obligations	-	-	-	-	-	-	202	202	-	202
Exchange differences arising on translation of foreign operations	-	-	-	-	(10,223)	-	-	(10,223)	-	(10,223)
Total comprehensive (expense)/ income	-	-	-	-	(10,223)	-	7,452	(2,771)	1,440	(1,331)
Appropriation	-	-	-	-	-	423	(423)	-	-	-
Balance at 31 December 2021	4,000	35,718	13,855	3,674	(9,482)	2,913	89,261	139,939	2,098	142,037
Balance at 1 January 2022	4,000	35,718	13,855	3,674	(9,482)	2,913	89,261	139,939	2,098	142,037
Loss for the year	-	-	-	-	-	-	(3,346)	(3,346)	(623)	(3,969)
Recognition of actuarial gains on defined benefit obligations	-	-	-	-	-	-	2,360	2,360	-	2,360
Exchange differences arising on translation of foreign operations	-	-	-	-	(7,093)	-	-	(7,093)	-	(7,093)
Total comprehensive expense	-	-	-	-	(7,093)	-	(986)	(8,079)	(623)	(8,702)
Appropriation	-	-	-	-	-	211	(211)	-	-	-
Balance at 31 December 2022	4,000	35,718	13,855	3,674	(16,575)	3,124	88,064	131,860	1,475	133,335

* The total of these balances represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		(2,453)	15,704
Adjustments for:			
Amortisation of intangible assets	10	2,916	4,005
Depreciation of property, plant and equipment	10	4,575	4,318
Depreciation of investment properties	10	37	–
Effect of lease modifications		(5)	–
Exchange loss, net	10	1,892	303
Fair value gain on other financial assets	10	(115)	(98)
Finance costs	9	1,317	808
Gain on disposal of property, plant and equipment	8	(160)	–
Interest income	8	(601)	(803)
Net loss on disposal of other financial assets	10	61	26
(Reversal of impairment)/provision for impairment of inventories	10	(545)	537
Reversal of impairment of trade and bills receivables, net	43(a)	(761)	(2,262)
<i>Operating profit before working capital changes</i>		6,158	22,538
Decrease in inventories		1,059	128
Increase in rental and other deposits and trade and other receivables		(5,115)	(34,339)
Decrease/(increase) in contract assets		20,664	(4,673)
Decrease/(increase) in prepayments		12,573	(3,467)
Increase/(decrease) in trade and other payables		36,140	(1,466)
(Decrease)/increase in contract liabilities		(10,755)	11,574
Decrease in net defined benefit obligations		(306)	(5,034)
<i>Cash generated from/(used in) operations</i>		60,418	(14,739)
Income taxes paid		(2,844)	(4,737)
Interest received		117	262
Net cash generated from/(used in) operating activities		57,691	(19,214)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(21,878)	(1,085)
Payment for the purchase of investment properties		(8,869)	–
Deposits paid for acquisition of properties		–	(10,043)
Payment for the purchase of other financial assets		–	(192)
Proceeds from disposal of other financial assets		–	2,741
Proceeds from disposal of property, plant and equipment		160	–
Decrease in fixed bank deposits		2,063	–
Decrease in loan to a shareholder/ultimate holding company		5,394	2,951
Net cash used in investing activities		(23,130)	(5,628)
Cash flows from financing activities	40		
Proceeds from bank borrowings		184,497	229,987
Repayments of bank borrowings		(225,482)	(172,256)
Interest paid		(1,317)	(808)
Repayment of principal portion of the lease liabilities		(2,518)	(2,324)
Increase in loans from shareholders		14,684	5,000
Increase in amount due to a shareholder		1,376	–
Net cash (used in)/generated from financing activities		(28,760)	59,599
Net increase in cash and cash equivalents		5,801	34,757
Cash and cash equivalents at beginning of year		123,088	96,189
Effect of exchange rate changes		(6,328)	(7,858)
Cash and cash equivalents at end of year		122,561	123,088
Analysis of balances of cash and cash equivalents			
Cash and bank balances		122,561	123,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. GENERAL

Future Data Group Limited (the “Company”) was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is located at Room 1703, 17/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong.

The principal places of the business of the Company and its subsidiaries (together the “Group”) are located at Units A1304–1310, 13/F., 150 Yeongdeungpo-ro, Yeongdeungpo-gu, Seoul, Korea and at the aforementioned address in Hong Kong.

The principal activity of the Company is investment holding. The Group is engaged in the provision of (i) integration of systems with network connectivity, cloud computing and security elements, (ii) maintenance services and (iii) cyber security services in Korea and Hong Kong.

As at 31 December 2021, the directors of the Company considered the immediate holding company to be LiquidTech Limited (“LiquidTech”), incorporated in the British Virgin Islands (“B.V.I.”), and the ultimate holding company to be Asia Media Systems Pte. Ltd. (“AMS”) incorporated in Singapore.

Gorgeous Real Investment Holding Limited (“Gorgeous Real”) and Variant Wealth Investment Development Limited (“Variant Wealth”), incorporated in the B.V.I. and the Republic of Seychelles respectively, entered into the sale and purchase agreement on 4 September 2022, pursuant to which LiquidTech agreed to sell, and both Gorgeous Real and Variant Wealth agreed to acquire, the full legal and beneficial title and interest in the sale shares, representing 51.50% of the total issued share capital of the Company as at 13 September 2022 (the “Transaction”). The Transaction was completed on 28 September 2022. Pursuant to the Hong Kong Code on Takeovers and Mergers, upon the completion of the Transaction, both Gorgeous Real and Variant Wealth are required to make a mandatory unconditional cash offer for all the issued shares (the “Cash Offer”). Further details of the Transaction, the Cash Offer and the result of the Cash Offer are set out in the Company’s announcements dated 28 September 2022, 5 October 2022 and 26 October 2022 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. GENERAL (CONTINUED)

Immediately following the Transaction and the Cash offer, the Company is not able to fulfil the minimum public float requirement as set out under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The Company has made an application to the Stock Exchange for a temporary waiver and to take appropriate steps to ensure public float to be restored. On 29 November 2022, 6.75% of the entire issued share capital of the Company held by Gorgeous Real, have been successfully placed to independent placees for the purpose of restoring the public float of the Company (the "2022 Placing"). Further details of the 2022 Placing are set out in the Company's announcement dated 29 November 2022.

Immediately after the completion of the 2022 Placing and as at 31 December 2022, Gorgeous Real and Variant Wealth, their respective ultimate beneficial owners, were interested in 35.60% and 25% of the total issued share capital of the Company respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

None of these amended HKFRSs and HKASs has a significant impact on the Group's results and financial position for current or prior period.

The Group has not early adopted any amended HKFRSs that are not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective

The following revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies (Continued)

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain other financial assets which are measured at fair value as disclosed in the summary of significant accounting policies in note 4(i).

(c) Functional and presentation currency

The functional currencies of the Company’s principal operating subsidiaries in Korea and Hong Kong, are South Korean Won (“KRW”), Hong Kong Dollars (“HK\$”) respectively, while the consolidated financial statements are presented in HK\$ which is also the functional currency of the Company. As the Company’s shares are listed on GEM of the Stock Exchange, the directors consider that it will be more appropriate to adopt HK\$ as the Group’s presentation currency. The amounts stated are rounded to the nearest HK\$1,000 unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the note to the consolidated financial statements that disclose the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see below), and whenever there is an indication that the unit may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	40 years
Leasehold improvements	Over the shorter of lease terms or 5 years
Equipment	4 to 5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful life using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of the investment properties are 40 years.

(f) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (Continued)

The Group as a lessee (Continued)

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying assets on a straight line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient in accordance with the amendments to HKFRS 16 COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(g) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Software platforms	5 years
Reacquired rights	2 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (other than goodwill) (Continued)

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (other than goodwill) (Continued)

(v) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(h)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(h) Impairment of other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including right-of-use assets);
- investment properties;
- intangible assets with finite lives (other than goodwill);
- deposits paid for acquisition of properties; and
- investments in subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of other than financial assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

(i) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All the Group's other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECLs”) on trade and bills receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade and bills receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and geographical location of the debtor.

The Group considers a financial asset to be credit-impaired when:

- the debtor is in significant financial difficulty;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- (i) provides all of the benefits received and consumed simultaneously by the customer;
- (ii) creates or enhances an asset that the customer controls as the Group performs; or
- (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of system integration and cyber security services

The Group provides system integration and cyber security services based on contracts entered into with customers before the commencement of the system integration or cyber security projects (the "Projects"). The Projects involve the Group to source and integrate suitable hardware and software components and configure them into a compatible system in accordance with the requirements of the customers. Such projects comprise a single performance obligation because the project implementation by the Group to deliver the required system specified by the customers involve a number of processes each of which are highly interdependent and highly interrelated to each other. Since the project implementation is carried out in the customers' sites, the customers have control over the projects. These contracts therefore satisfy the criteria for category (ii) for recognising revenue over time during the project implementation. Accordingly, the revenue generated from the Projects is recognised over time using the input method (i.e. percentage of completion is established by reference to the costs incurred up to the reporting date as compared to the total costs to be incurred under the contracts except where this would not be representative of the stage of completion). The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

Provision of system integration and cyber security services (Continued)

Contract costs incurred comprise cost of hardware and software sourced from outside vendors, engineer cost and other costs of personnel directly engaged in the contracts and where applicable subcontracting cost and attributable overheads.

For warranty included in the system integration contracts, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the system integration work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with the policy set out in "Onerous contracts" below.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provision of maintenance services

The Group provides maintenance services based on contracts entered with customers. Under the terms of the contracts, the customers simultaneously receive and consume the benefits as and when the Group provides these services. Accordingly, the Group recognises revenue from maintenance services over time on a straight line basis over the terms of the maintenance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

(n) Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plans

The employees of Global Telecom Company Limited ("Global Telecom") are required to participate in a National Pension Scheme which is a defined contribution plan operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the National Pension Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (Continued)

Defined contribution retirement plans (Continued)

Future Data Limited ("Future Data") and Maximus (Hong Kong) Consulting Limited ("Maximus (HK)") (together the "Hong Kong subsidiaries") operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Hong Kong subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions.

Defined benefit plan

In addition to the contributions under the National Pension Scheme, Global Telecom operates a defined benefit plan covering its employees in Korea. The cost of providing benefits is determined using the projected unit credit method. Remeasurements of the net defined benefit liability, which include actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The net interest expense on the net defined benefit liability is determined by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and service cost are recognised in profit or loss.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and bank deposits with an original maturity of three months or less.

(p) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and the amounts are included in other income.

(q) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(r) Borrowing costs

Borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties (Continued)

- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
 - (i) that person's children and spouse or domestic partner;
 - (ii) children of that person's spouse or domestic partner; and
 - (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Contracts for system integration and cyber security services

Revenue from contracts for system integration and cyber security services are recognised under the input method which requires estimation made by management. The Group's management estimates the contract costs, outcome and expected cost to complete the contacts based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcome and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated impairment of trade and other receivables and contract assets

The impairment allowances for trade and other receivables and contract assets are based on assumptions about risk of default and ECLs rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward-looking estimates at the end of each reporting period.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

Estimated current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

6. SEGMENT INFORMATION

The executive directors of the Company are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the executive directors for the purposes of allocating resources and assessing performance.

The executive directors review the performance of the Group mainly from the service perspective. The Group is organised into three segments engaged in:

- (i) System integration
- (ii) Maintenance services
- (iii) Cyber security services

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6. SEGMENT INFORMATION (CONTINUED)

The executive directors assess the performance of the operating segments based on a measure of gross profit of each segment, which is consistent with that of the consolidated financial statements. The revenue reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

There was no information regarding segment assets and liabilities provided to the executive directors as they do not use such information for the purpose of allocation of resources and segment performance assessment.

The segment results are as follows:

(a) Business segments

For the year ended 31 December 2022

	System integration HK\$'000	Maintenance services HK\$'000	Cyber security services HK\$'000	Total HK\$'000
Total segment revenue	427,481	159,964	35,236	622,681
Inter-segment revenue	–	–	(5,040)	(5,040)
Revenue from external customers	427,481	159,964	30,196	617,641
Gross profit/segment results	21,787	29,670	6,864	58,321
Other income				2,855
Reversal of impairment of trade and bills receivables, net				761
Selling and administrative expenses				(63,073)
Finance costs				(1,317)
Loss before income tax				(2,453)
Income tax expense				(1,516)
Loss for the year				(3,969)

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6. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

For the year ended 31 December 2021

	System integration HK\$'000	Maintenance services HK\$'000	Cyber security services HK\$'000	Total HK\$'000
Total segment revenue	505,851	179,696	40,122	725,669
Inter-segment revenue	–	–	(5,100)	(5,100)
Revenue from external customers	505,851	179,696	35,022	720,569
Gross profit/segment results	29,291	40,945	14,052	84,288
Other income				2,484
Reversal of impairment of trade and bills receivables, net				2,262
Selling and administrative expenses				(72,522)
Finance costs				(808)
Profit before income tax				15,704
Income tax expense				(7,014)
Profit for the year				8,690

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6. SEGMENT INFORMATION (CONTINUED)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets excluding other financial assets, deposits for acquisition of properties, rental and other deposits, defined benefit assets and deferred tax assets ("specified non-current assets").

	Revenue from external customers (by customers location)		Specified non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	30,196	35,022	13,246	14,867
Korea	587,445	685,547	52,321	7,941
	617,641	720,569	65,567	22,808

The above specified non-current assets are analysed based on the principal places of the Group's business operations.

The principal places of the Group's operations are Korea and Hong Kong. The Group regarded Korea as its place of domicile.

7. REVENUE

Revenue mainly represents income from provision of system integration, maintenance services and cyber security services during the reporting period. An analysis of the Group's revenue by category for the year ended 31 December 2022 was as follows:

(a) An analysis of the Group's revenue by business segments and timing of recognition:

	2022 HK\$'000	2021 HK\$'000
Revenue from customers and recognised over time		
– Contract revenue from provision of system integration	427,481	505,851
– Contract revenue from provision of maintenance services	159,964	179,696
– Contract revenue from provision of cyber security services	30,196	35,022
	617,641	720,569

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7. REVENUE (CONTINUED)

(a) (Continued)

System integration, maintenance services and cyber security services represent performance obligations that the Group satisfies over time for each respective contract.

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers:

	2022 HK\$'000	2021 HK\$'000
– Trade and bills receivables (net of impairment) (note 23)	107,290	106,900
– Contract assets (note 25(a))	6,150	28,482
– Contract liabilities (note 25(b))	21,894	34,120

(b) Disaggregation of revenue

The following tables disaggregate the Group's revenue from contracts with customers:

	2022				2021			
	System integration	Maintenance services	Cyber security services	Total	System integration	Maintenance services	Cyber security services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Type of services								
– Cloud infrastructure	321,627	154,321	–	475,948	369,406	170,656	–	540,062
– Security	105,854	5,643	30,196	141,693	136,445	9,040	35,022	180,507
Total revenue from contracts with customers	427,481	159,964	30,196	617,641	505,851	179,696	35,022	720,569
Type of customers								
– Public sector	121,137	115,337	–	236,474	170,936	116,290	–	287,226
– Private sector	306,344	44,627	30,196	381,167	334,915	63,406	35,022	433,343
Total revenue from contracts with customers	427,481	159,964	30,196	617,641	505,851	179,696	35,022	720,569
Contract duration								
– Within 12 months	397,675	96,722	26,451	520,848	483,238	140,720	28,599	652,557
– Over 12 months but less than 24 months	29,691	34,776	1,426	65,893	22,546	22,656	2,772	47,974
– Over 24 months	115	28,466	2,319	30,900	67	16,320	3,651	20,038
Total revenue from contracts with customers	427,481	159,964	30,196	617,641	505,851	179,696	35,022	720,569

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7. REVENUE (CONTINUED)

(c) Transaction price allocated to the remaining performance obligations

The follow table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Provision of system integration	81,088	86,379
Provision of maintenance services	67,320	29,763
Provision of cyber security services	13,291	17,237
	161,699	133,379

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK\$161,699,000 (2021: HK\$133,379,000) allocated to the contracts under system integration, maintenance services and cyber security services as at 31 December 2022 will be recognised as revenue on or before 28 February 2026 (2021: on or before 31 January 2026).

8. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income	601	803
Fair value gain on other financial assets	115	98
Gain on disposal of property, plant and equipment	160	–
Miscellaneous gains	1,979	1,583
	2,855	2,484

9. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on borrowings	1,207	704
Interest on lease liabilities (note 32(c))	110	104
	1,317	808

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10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2022 HK\$'000	2021 HK\$'000
Carrying amount of inventories sold	448,747	534,263
(Reversal of impairment)/provision for impairment of inventories	(545)	537
Cost of inventories recognised as expenses	448,202	534,800
Employee costs (note 11)	86,774	103,668
Depreciation charge (note 16):		
– Owned property, plant and equipment	1,940	1,808
– Right-of-use assets	2,635	2,510
	4,575	4,318
Depreciation of investment properties (note 17)	37	–
Amortisation of intangible assets (note 18)	2,916	4,005
Auditor's remuneration		
– Audit services	1,200	1,127
– Non-audit services	150	–
	1,350	1,127
Research and development costs (note)	4,869	5,167
Subcontracting costs	54,534	39,239
Reversal of impairment of trade and bills receivables, net	(761)	(2,262)
Interest on lease liabilities (note 32(c))	110	104
Net loss on disposal of other financial assets	61	26
Fair value gain on other financial assets	(115)	(98)
Net loss on foreign exchange	1,892	303
Short-term leases expenses (note 32(c))	342	492
Low-value assets leases expenses (note 32(c))	20	23

Note: Research and development costs included employee costs of approximately HK\$2,896,000 for the year ended 31 December 2022 (2021: HK\$3,208,000) as disclosed above.

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11. EMPLOYEE COSTS

	2022 HK\$'000	2021 HK\$'000
Employee costs (including directors) comprise:		
Wages and salaries		
– Charged to profit or loss	74,112	82,812
Contributions to defined contribution retirement plans	2,425	2,735
Defined benefit costs (note 31)	4,620	10,800
Other benefits	5,617	7,321
	86,774	103,668

12. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 HK\$'000	2021 HK\$'000
Current tax		
– Korea	2,224	2,917
– Hong Kong	–	316
	2,224	3,233
Under-provision in prior years		
– Korea	–	3,245
Deferred tax (note 30)		
– Korea	(427)	1,225
– Hong Kong	(281)	(689)
	(708)	536
Income tax expense	1,516	7,014

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12. INCOME TAX EXPENSE (CONTINUED)

Global Telecom is subject to Korea Corporate Income Tax which comprised national and local taxes (collectively "Korea Corporate Income Tax"). Korea Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2022. The Korea Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2022 are as follows:

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK\$1.2 million for the year ended 31 December 2022 (2021: KRW200 million (equivalent to approximately HK\$1.4 million)));
- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK\$1.2 million) for the year ended 31 December 2022 (2021: KRW200 million (equivalent to approximately HK\$1.4 million)) and up to KRW20 billion (equivalent to approximately HK\$121.3 million) for the year ended 31 December 2022 (2021: KRW20 billion (equivalent to approximately HK\$135.6 million)); and
- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK\$121.3 million) for the year ended 31 December 2022 (2021: KRW20 billion (equivalent to approximately HK\$135.6 million)).

During the year ended 31 December 2021, the under-provision of Korea Corporate Income Tax in prior years of HK\$3,245,000 arose from the difference in the applied tax credit rate on social insurance premiums for small and medium enterprises in Korea by Global Telecom for the years of 2019 and 2020 (the "Rates"); and the Rates reviewed and approved by the Korea tax authority during the current year. Under the Korea Corporate Income Tax rules, the eligible tax credit rate on social insurance premiums applied to Global Telecom ranged from 9.8% to 10.3% in the years of 2019 and 2020. The Rates applied to Global Telecom depends on the combination of a variety elements (e.g. national health insurance and pension, employment insurance and industrial accident compensation) and the final determination on the deductibility by the Korea tax authority.

The Hong Kong subsidiaries are subject to Hong Kong profits tax. Under two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million.

For the Hong Kong subsidiaries which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

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12. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before income tax	(2,453)	15,704
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	420	3,531
Tax effect of expenses not deductible for tax purposes	1,641	1,118
Tax effect of temporary differences not recognised	(129)	–
Tax effect of tax losses not recognised	317	–
Utilisation of tax losses previously not recognised	–	(377)
Utilisation of tax losses previously recognised	121	–
Effect on two-tiered Hong Kong profit tax rates	–	(165)
Withholding tax on dividend declared by a subsidiary	(186)	842
Under-provision in prior years	–	3,245
Tax credit	(916)	(1,090)
Others	248	(90)
Income tax expense for the year	1,516	7,014

13. DIVIDENDS

The directors do not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

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14. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data.

	2022 HK\$'000	2021 HK\$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	(3,346)	7,250

	2022 Number '000	2021 Number '000 (Re-presented)
Number of shares		
Weighted average number of ordinary shares, adjusted for bonus elements in the issue of placing share through the 2023 Placing (defined in note 46) on 17 February 2023 (note)	431,891	431,891

Note: The weighted average number of ordinary shares has been adjusted for the bonus elements of the 2023 Placing (defined in note 46) completed after the end of the reporting period.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021.

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15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' emoluments is disclosed as follows:

For the year ended 31 December 2022

	Notes	Fees HK\$'000	Basic salaries, allowances and other benefits in kind HK\$'000	Contribution to pension schemes HK\$'000	Discretionary bonuses HK\$'000	Total emoluments HK\$'000
Executive directors:						
Mr. Suh Seung Hyun ("Mr. Suh")	(i)	-	1,679	131	6	1,816
Mr. Phung Nhuong Giang ("Mr. Phung")	(i)	-	1,000	-	480	1,480
Mr. Lee Seung Han ("Mr. Lee")		-	2,137	162	6	2,305
Mr. Ryoo Seong Ryul ("Mr. Ryoo")	(i)	-	831	71	6	908
Mr. Tao Guolin ("Mr. Tao")		720	-	-	-	720
Ms. Tao Hongxia ("Ms. Tao")	(i)	200	-	-	-	200
Total		920	5,647	364	498	7,429
Independent non-executive directors:						
Mr. Chan Kin Ming	(iii)	20	-	-	-	20
Mr. Lam Chi Cheung Albert	(iii)	20	-	-	-	20
Mr. Yu Wing Chung	(iii)	20	-	-	-	20
Mr. Wong Sik Kei	(iii)	110	-	-	-	110
Mr. Sum Chun Ho	(iii)	110	-	-	-	110
Mr. Yung Kai Tai	(iii)	110	-	-	-	110
Total		390	-	-	-	390

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**15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(CONTINUED)**

Directors' emoluments (Continued)

For the year ended 31 December 2021

	Notes	Fees HK\$'000	Basic salaries, allowances and other benefits in kind HK\$'000	Contribution to pension schemes HK\$'000	Discretionary bonuses HK\$'000	Total emoluments HK\$'000
Executive directors:						
Mr. Suh Seung Hyun		–	2,369	1,911	14	4,294
Mr. Phung Nhung Giang		–	1,200	–	–	1,200
Mr. Lee Seung Han		–	2,575	1,926	14	4,515
Mr. Ryoo Seong Ryul		–	1,227	709	14	1,950
Mr. Tao Guolin	(ii)	–	140	–	–	140
Total		–	7,511	4,546	42	12,099
Independent non-executive directors:						
Mr. Wong Sik Kei		120	–	–	–	120
Mr. Sum Chun Ho		120	–	–	–	120
Mr. Yung Kai Tai		120	–	–	–	120
Total		360	–	–	–	360

Notes:

- (i) Mr. Suh, Mr. Phung and Mr. Ryoo have resigned from office as executive directors of the Company and Ms. Tao has been appointed as an executive director of the Company on 31 October 2022.
- (ii) Mr. Tao was appointed as an executive director of the Company on 25 August 2021.
- (iii) Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai have resigned as independent non-executive directors of the Company and Mr. Chan Kin Ming, Mr. Lam Chi Cheung Albert and Mr. Yu Wing Chung have been appointed to fill up the vacancy on 31 October 2022.
- (iv) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include 4 (2021: 3) directors. The emoluments paid to the remaining 1 (2021: 2) individuals is as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	1,730	3,097
Contribution to pension schemes	18	1,277
	1,748	4,374

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2022 No. of individuals	2021 No. of individuals
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1

No emoluments were paid or payable by the Group to these employees or directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year (2021: Nil).

Senior management emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2022 No. of individuals	2021 No. of individuals
Nil to HK\$1,000,000	5	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,500,001 to HK\$3,000,000	–	1

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16. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Freehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:							
At 1 January 2021	9,710	–	1,352	15,127	852	1,665	28,706
Additions	1,209	–	43	982	60	–	2,294
Exchange realignment	(618)	–	(49)	(1,135)	(39)	(125)	(1,966)
At 31 December 2021 and 1 January 2022	10,301	–	1,346	14,974	873	1,540	29,034
Additions	4,421	31,617	558	1,014	204	800	38,614
Disposals	–	–	–	(43)	–	(1,014)	(1,057)
Effect of lease modifications	(345)	–	–	–	–	–	(345)
Exchange realignment	(449)	637	(34)	(808)	(26)	(90)	(770)
At 31 December 2022	13,928	32,254	1,870	15,137	1,051	1,236	65,476
Accumulated depreciation:							
At 1 January 2021	5,024	–	826	10,676	556	1,665	18,747
Charge for the year	2,510	–	136	1,609	63	–	4,318
Exchange realignment	(381)	–	(13)	(832)	(22)	(125)	(1,373)
At 31 December 2021 and 1 January 2022	7,153	–	949	11,453	597	1,540	21,692
Charge for the year	2,635	80	164	1,414	170	112	4,575
Written back on disposals	–	–	–	(43)	–	(1,014)	(1,057)
Effect of lease modifications	(116)	–	–	–	–	–	(116)
Exchange realignment	(290)	2	(10)	(595)	(14)	(105)	(1,012)
At 31 December 2022	9,382	82	1,103	12,229	753	533	24,082
Net carrying amount:							
At 31 December 2022	4,546	32,172	767	2,908	298	703	41,394
At 31 December 2021	3,148	–	397	3,521	276	–	7,342

Note: The Group's freehold land and buildings consist of total 7 office units, in relation to properties located at Think Factory Industrial Cluster Dangsang, Seoul, South Korea, to be occupied by the Group in the ordinary course of business. The construction of the properties were completed on 25 October 2022 and the ownership has been transferred to the Group on 10 November 2022. Accordingly, an addition of HK\$31,617,000, which comprise deposits previously paid for acquisition of these properties of HK\$30,788,000 (note 21) and transaction cost of HK\$829,000, was capitalised during the current year.

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

	Properties leased for own use HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2021	3,165	1,521	4,686
Additions	1,209	–	1,209
Depreciation (note 32(c))	(2,149)	(361)	(2,510)
Exchange realignment	(135)	(102)	(237)
At 31 December 2021 and 1 January 2022	2,090	1,058	3,148
Additions	3,525	896	4,421
Depreciation (note 32(c))	(2,271)	(364)	(2,635)
Effect of lease modifications	–	(229)	(229)
Exchange realignment	(106)	(53)	(159)
At 31 December 2022	3,238	1,308	4,546

17. INVESTMENT PROPERTIES

	Office units HK\$'000
At 1 January 2022	–
Additions	14,525
Depreciation	(37)
Exchange realignment	292
At 31 December 2022	14,780

The investment properties as at 31 December 2022 consist of 4 office units, in relation to properties located at Think Factory Industrial Cluster Dongsan, Seoul, South Korea to be leased out for one or more operating leases. The construction of the properties were completed on 25 October 2022 and the ownership has been transferred to the Group on 10 November 2022. Accordingly, an addition of HK\$14,525,000, which comprise deposits previously paid for acquisition of these properties of HK\$14,141,000 (note 21) and transaction cost of HK\$384,000, was capitalised during the current year.

At 31 December 2022, the fair value of the investment properties was approximately HK\$22,883,000 as determined by the directors by reference to recent market transactions of comparable properties.

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18. INTANGIBLE ASSETS

	Reacquired right of software HK\$'000	Software platforms (notes (i) and (ii)) HK\$'000	Total HK\$'000
Cost:			
At 1 January 2021, 31 December 2021 and 2022	1,950	20,268	22,218
Accumulated amortisation and impairment:			
At 1 January 2021	950	13,173	14,123
Amortisation charge for the year	600	3,405	4,005
At 31 December 2021 and 1 January 2022	1,550	16,578	18,128
Amortisation charge for the year	400	2,516	2,916
At 31 December 2022	1,950	19,094	21,044
Net carrying amount:			
At 31 December 2022	–	1,174	1,174
At 31 December 2021	400	3,690	4,090

Notes:

- (i) The software platforms acquired were for three distinct software platforms with cyber security, big data and internet of things ("IoT") features.
- (ii) As at 31 December 2022, an accumulated impairment of HK\$911,000 was recognised, which represented a full write-down of the carrying amount of one of the acquired software platforms with IoT features as it is not expected that it will generate any future economic benefit. The impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income prior to the year ended 31 December 2021.

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19. GOODWILL

	2022 HK\$'000	2021 HK\$'000
Net carrying amount		
At 1 January 2021, 31 December 2021 and 2022	7,534	7,534

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") identified as follows:

	2022 HK\$'000	2021 HK\$'000
Cyber security – Hong Kong	7,534	7,534

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period.

	Cyber security – Hong Kong %
2022	
Discount rate (pre-tax)	12.70
Long-term growth rate (note)	3.00
2021	
Discount rate (pre-tax)	14.32
Long-term growth rate (note)	3.00

Note: The long-term growth rate assumption applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the CGU. Long-term growth rates beyond the first five years are based on economic data pertaining to the region concerned.

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19. GOODWILL (CONTINUED)

Impairment testing on goodwill (Continued)

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of the CGU as of the dates indicated. We showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as of the end of each year by applying a 1% increase or decrease in growth rate and pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of the CGU, and therefore it does not take into account the correlation between the key assumptions.

	Cyber security – Hong Kong 2022 HK\$'000
Long-term growth rate (decrease)/increase	
(1)%	20,000
1%	25,000
Pre-tax discount rate (decrease)/increase	
(1)%	25,000
1%	20,000

As at 31 December 2022, the value in use of the CGU of HK\$22,000,000 (2021: HK\$43,000,000) exceeded its carrying amount of HK\$14,994,000 (2021: HK\$13,790,000), and hence the goodwill, property, plant and equipment and intangible assets other than fully-impaired software platform with IoT features (note 18) allocated to this CGU was not regarded as impaired.

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20. OTHER FINANCIAL ASSETS – NON-CURRENT

	2022 HK\$'000	2021 HK\$'000
Financial assets measured at FVTPL		
– Unlisted equity securities	4,416	4,554

The investment represents Global Telecom's equity interests (both of which are less than 20%) in two cooperatives in Korea:

	2022 HK\$'000	2021 HK\$'000
Korea Software Financial Cooperative ("KSFC")	4,379	4,515
Korea Broadcasting & Communication Financial Cooperative ("KBCFC")	37	39
	4,416	4,554

KSFC was established pursuant to the Software Industry Promotion Act of Korea. KSFC provides to its members, (i) loans and investments necessary to develop software, upgrade technologies and stabilise the management, (ii) guarantees for liabilities of any software business operator who intends to obtain loans from financial institutions for the purpose of developing software, upgrading technologies and stabilising his/her business management, (iii) performance guarantees necessary for business.

KBCFC was established under the provisions of the Small and Medium Enterprise Cooperatives Act of Korea with aims of promoting sound development of information communication industry and welfare of its members to encourage their independent economic activities for the improvement of their economic status and the balanced development of the national economy. Small and medium enterprises engaging in manufacturing telecommunication and broadcasting apparatuses and industrial cooperatives engaging in an identical or related type of business are eligible for membership in KBCFC.

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20. OTHER FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

As at 31 December, KSFC provided the following guarantees on behalf of Global Telecom:

	2022 HK\$'000	2021 HK\$'000
Description of guarantees which are related to projects of Global Telecom		
– Bidding guarantees	34	6,718
– Contract guarantees	41,022	123,530
– Defect guarantees	20,026	47,884
– Payment guarantees	–	72
– Prepayment guarantees	55,892	124,200
	116,974	302,404

All of the guarantees above are related to contracts entered into by Global Telecom and its customers for satisfying the performance obligations of contracts with customers except for payment guarantees that are given to subcontractors of Global Telecom, to secure the payments to subcontractors by Global Telecom which the corresponding liabilities to the subcontractors have been recorded in the Group's consolidated financial statement.

KSFC is entitled to be indemnified by Global Telecom under the terms and conditions of the above guarantees given by KSFC. The directors consider that the probability for Global Telecom to indemnify KSFC is remote based on historical experiences and the disclosure of contingent liabilities arising from such guarantees as of each reporting date is not required.

Although there is no quoted market price in active market for the investment in KSFC, the directors are of the opinion that the fair value of the investment in KSFC as at 31 December 2022 can be measured reliably given that KSFC is required under Articles 33 and 35 of Software Industry Promotion Act, which became effective on 23 March 2016, to repurchase Global Telecom's investment in KSFC at a value as set out in the statement provided by KSFC to Global Telecom as at 31 December 2022. In respect of the investment in KBCFC, the directors are of the opinion that its fair value approximates to its carrying value, which is very immaterial.

The directors consider the Group does not have significant influence over these two cooperatives.

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21. DEPOSITS FOR ACQUISITION OF PROPERTIES

Pursuant to 17 agreements dated 14 May 2020 (the "Date of Agreements") entered into amongst Global Telecom and Korea Trust Company Limited ("Korea Trust") (as vendor and trustee of the Properties of SK D&D), SK D&D Company Limited ("SK D&D") (as property developer) and Taeyoung Engineering and Construction Company Limited (as construction company) (collectively the "Agreements"), Global Telecom agreed to purchase and Korea Trust agreed to sell 17 office units, in relation to properties located at Think Factory Industrial Cluster Dongsan, Seoul, South Korea (the "Properties"). The Properties are still under construction as at the Date of Agreements. The expected date of occupancy will be on or around October 2022.

On 8 December 2020, Global Telecom entered into two disposal agreements with new buyers, pursuant to which Global Telecom agreed to transfer all of its rights and obligations under the Agreements in respect of total 6 office units to the new buyers. The Group has no plan to sell the remaining 11 office units and has intention to hold certain units for own use as its new office premises and the rest of units to lease out for earning rentals in Korea.

As at 31 December 2021, the total amount of deposit payments of KRW2,962,230,000 (approximately HK\$19,420,000) was paid by Global Telecom and recognised as deposits for acquisition of properties under non-current assets.

On 25 October 2022, the construction of the Properties was completed and accordingly, the accumulated deposits paid of KRW7,405,573,200 (approximately HK\$44,929,000) was transferred to property, plant and equipment and investment properties as to HK\$30,788,000 (note 16) and HK\$14,141,000 (note 17) respectively.

The table below illustrates the capital commitments as at 31 December 2022 and 2021:

	HK\$'000
At 1 January 2021	44,542
Less: total deposits paid during the year	(10,653)
Less: exchange realignment	(2,990)
At 31 December 2021 and 1 January 2022	30,899
Less: total deposits paid during the year	(28,593)
Less: exchange realignment	(2,306)
At 31 December 2022 (note 41)	–

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22. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Inventories		
– Hardware and software	12,675	13,982

During the year ended 31 December 2022, a reversal of impairment of HK\$545,000 (2021: provision for impairment of HK\$537,000) made against the carrying value of inventories. The reversal of provision is included in “cost of sales”.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade receivables	122,466	120,015
Bills receivables	–	3,759
Less: Provision for impairment	(15,176)	(16,874)
Trade and bills receivables, net (note (a))	107,290	106,900
Accrued interest	33	629
Rental and other deposits	3,587	2,437
Other receivables	264	190
Total trade and other receivables (note (b))	111,174	110,156
Prepayments (note (c))		
– Non-current	685	3,842
– Current	5,273	13,020
	5,958	16,862

(a) The credit terms granted by the Group to its trade customers are normally 90 days. Based on the invoice dates, the ageing analysis of the Group’s trade and bills receivables, net of impairment provision, is as follows:

	2022 HK\$'000	2021 HK\$'000
0–90 days	102,855	102,337
91–180 days	2,095	4,006
181–365 days	2,256	557
1–2 years	84	–
	107,290	106,900

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23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

- (b) The Group recognised impairment, if any, of trade and bills receivables and other receivables for the years ended 31 December 2022 and 2021 based on the accounting policy stated in note 4(i). Further details are set out in note 43(a).
- (c) The prepayments major included prepaid costs for maintenance services and cyber security services of the Group which had subcontracted to outsider service providers.

24. LOAN TO A SHAREHOLDER/ULTIMATE HOLDING COMPANY

	As at 1 January 2022 HK\$'000	As at 31 December 2022 HK\$'000	Maximum outstanding amount during the year HK\$'000
Loan to a shareholder/ultimate holding company, AMS	5,829	–	5,829

Notes:

- (a) The loan to AMS is unsecured, interest bearing at 5% per annum. The loan is denominated in United States Dollars ("US\$") with total amount of US\$1,150,000. The loan has been fully settled by AMS during the year.
- (b) As at 31 December 2021, Mr. Suh, Mr. Phung and Mr. Lee who are executive directors of the Company are also controlling shareholders of AMS. Both Mr. Suh and Mr. Phung have resigned from office as executive directors of the Company during the year as set out in note 15.

The loan to AMS constituted a connected transaction under Chapter 20 of the GEM Listing Rules. Upon the completion of the Transaction as set out in note 1, AMS is no longer the ultimate holding company of the Company.

- (c) No impairment loss has been recognised on the loan to a shareholder/ultimate holding company for the years ended 31 December 2022 and 2021 based on the accounting policy stated in note 4(i). Further details are set out in note 43(a).

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25. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 HK\$'000	2021 HK\$'000
Contract assets		
Arising from performance under system integration	2,824	23,108
Arising from performance under cyber security services	3,326	5,374
	6,150	28,482

Invoices on revenue from system integration and cyber security services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Contract assets are related to unbilled work in progress which have substantially the same characteristics as the trade and bills receivables for the same types of contract. The Group has concluded that the ECLs rate for trade and bills receivables are a reasonable approximation of the rates for the contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the amount of ECLs of contract assets is assessed to be minimal.

No impairment loss has been recognised on contract assets for the years ended 31 December 2022 and 2021 based on the accounting policy stated in note 4(i). Further details are set out in note 43(a).

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25. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2022 HK\$'000	2021 HK\$'000
Contract liabilities		
Billings in advance of performance under system integration	13,140	23,189
Billings in advance of performance under cyber security services	8,754	10,931
	21,894	34,120

Set out below is the movement of contract liabilities during the respective years.

	2022 HK\$'000	2021 HK\$'000
Movements in contract liabilities		
At 1 January	34,120	23,960
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(26,799)	(20,700)
Increase as a result of billing in advance of revenue recognition of system integration and cyber security services	16,044	32,274
Exchange realignment	(1,471)	(1,414)
At 31 December	21,894	34,120

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26. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	93,318	60,044
Accruals and other payables	14,573	16,230
Advance receipts	393	346
Value-added tax payables	8,371	7,465
	116,655	84,085

Credit periods granted by suppliers normally range from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2022 HK\$'000	2021 HK\$'000
0–30 days	79,340	54,077
31–60 days	1,941	4,280
61–90 days	1,241	213
91–180 days	9,559	190
181–365 days	370	219
Over 1 year	867	1,065
	93,318	60,044

Due to short maturity periods, the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of their fair values.

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27. LOANS FROM SHAREHOLDERS

	2022 HK\$'000	2021 HK\$'000
Current	5,000	–
Non-current	14,684	5,000
Total loans from shareholders	19,684	5,000

Terms of loans from shareholders denominated in respective original currency are as follows:

2022

Terms of loan/ name of shareholder	Mr. Tao (notes (a) and (c))	Ms. Tao (notes (a) and (c))	Mr. Phung (notes (b) and (c))
Loan amount:	HK\$5,000,000	HK\$10,000,000	US\$600,000
Repayment term:	On 29 November 2023	On 11 December 2024	On 2 January 2025
Interest rate:	Interest-free	Interest-free	3.88% per annum
Security:	Unsecured	Unsecured	Unsecured

2021

Terms of loan/ name of shareholder	Mr. Tao (notes (a) and (c))
Loan amount:	HK\$5,000,000
Repayment term:	On 29 November 2023
Interest rate:	Interest-free
Security:	Unsecured

Notes:

- (a) The Company has entered into two loan agreements dated 18 November 2021 and 6 December 2022 with Mr. Tao and Ms. Tao respectively, the shareholders and executive directors of the Company, pursuant to which Mr. Tao and Ms. Tao agreed to provide the Company a loan for the purpose of supporting the Group's business development.
- (b) Future Data has entered into a loan agreement dated 30 November 2022 with Mr. Phung, one of the shareholders and predecessor executive director of the Company, pursuant to which Mr. Phung agreed to provide Future Data a loan for the purpose of supporting Future Data's business development.

As at 31 December 2022, Future Data has drawn down total amount of US\$600,000 (equivalent to HK\$4,684,000).

- (c) The loans from shareholders/a shareholder constituted connected transactions under Chapter 20 of the GEM Listing Rules.

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28. AMOUNT DUE TO A SHAREHOLDER

The balance represented amount due to Variant Wealth. The amount is unsecured, interest-free and repayable on demand.

The amount due to a shareholder constituted connected transactions under Chapter 20 of the GEM Listing Rules.

29. BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Current – unsecured:		
– Bank loans (note (b))	41,809	68,383
Non-current – unsecured:		
– Bank loans (note (b))	–	15,449
Total borrowings	41,809	83,832

(a) Bank loans are carried at amortised cost.

(b) Details of the bank loans denominated in respective original currency are stated below:

	Amount	Interest rate	Repayable in
2022			
Bank A	KRW5,800,000,000	3 month CD ¹ plus 1.23% per annum	November 2023
Bank A	US\$321,277	SOFR ² plus 1.48% per annum	September 2023
Bank C	US\$432,539	SOFR ² plus 0.75% per annum	March 2023
2021			
Bank A	US\$2,981,932	SOFR ² plus 1.48% per annum	March 2022
Bank A	US\$1,460,946	SOFR ² plus 1.48% per annum	September 2022
Bank B	US\$1,791,417	SOFR ² plus 1.58% per annum	April 2022
Bank C	US\$1,883,180	SOFR ² plus 0.40% per annum	April 2022
Bank D	US\$681,040	3-month LIBOR ³ plus 1.9% per annum	May 2022
Bank E	KRW2,356,530,000	6-month COFIX ⁴ plus 3.36% per annum	January 2023

¹ Certificate of Deposit ("CD")

² Secured Overnight Financing Rate ("SOFR")

³ London Inter-Bank Offered Rate ("LIBOR")

⁴ Cost of Fund Index ("COFIX")

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30. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets/(liabilities) recognised and movements during the current and prior years are as follows:

	Amortisation of intangible assets HK\$'000	Accelerated tax depreciation HK\$'000	Provision for impairment of trade and bills receivables HK\$'000	Provision for incentive bonus HK\$'000	Provision for impairment of inventories HK\$'000	Tax losses carried forward (note a) HK\$'000	Undistributed profits of foreign operation (note b) HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	(1,336)	(15)	4,340	2,273	1,597	1,866	(792)	350	8,283
Credited/(charged) to profit or loss for the year (note 12)	661	34	(517)	(757)	(61)	(85)	132	57	(536)
Credited to equity for the year	-	-	-	-	-	-	-	(57)	(57)
Exchange realignment	-	-	(306)	(170)	(118)	-	-	(4)	(598)
At 31 December 2021	(675)	19	3,517	1,346	1,418	1,781	(660)	346	7,092
At 1 January 2022	(675)	19	3,517	1,346	1,418	1,781	(660)	346	7,092
Credited/(charged) to profit or loss for the year (note 12)	481	(45)	(306)	(472)	(174)	(121)	660	685	708
Charged to equity for the year	-	-	-	-	-	-	-	(666)	(666)
Exchange realignment	-	(10)	(200)	(104)	(83)	-	-	13	(384)
At 31 December 2022	(194)	(36)	3,011	770	1,161	1,660	-	378	6,750

The following is the analysis of deferred tax balances for financial reporting purposes:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	6,750	7,092

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30. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Notes:

- (a) As at 31 December 2022, the Group had tax losses arising in Hong Kong of HK\$10,060,000 (2021: HK\$10,791,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets of approximately HK\$1,660,000 (2021: HK\$1,781,000) have been recognised for tax losses arising from Future Data as management expects that availability of future profit streams is highly probable in the foreseeable future.
- (b) According to Korean Corporate Income Tax, the Group is subject to a withholding tax at 22%, unless reduced by tax treaties or arrangements, for dividends distributed by a Korean enterprise to its immediate holding company outside Korea. Since, the Group controls the dividend policy of Global Telecom, deferred tax liability arising from the undistributed profits of Global Telecom is only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 December 2022, deferred tax liability of HK\$30,400,000 (2021: HK\$29,800,000) has not been recognised on temporary differences relating to the remaining undistributed earnings of a foreign subsidiary in Korea because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. DEFINED BENEFIT OBLIGATIONS

The Group operates a defined benefit plan (the "Plan") under the Employee Retirement Benefit Security Act ("ERBSA") legislation covering the employees of Global Telecom. The Plan is administered by the independent trustee and the Plan assets are held separately from those of the Group. The Plan provides lump sum benefits when a member ceases employment with Global Telecom. The amount is based on a formula linking final average salary (averaged over three months) and years of service.

Global Telecom must carry out a funding valuation using a prescribed method each year and if the fair value of the plan assets is below 95% of the present value of defined benefit obligation which is the standard required reserve under ERBSA as at 31 December 2022 and 2021, Global Telecom must develop a financial stabilisation plan to make up the deficiency within three years.

The Plan exposes Global Telecom to actuarial risks, such as interest rate risk and longevity risk.

As a result of the Plan characteristics, Global Telecom does not use any asset-liability matching strategies involving annuities or other techniques.

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31. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The Plan is funded by contributions from the Group with reference to an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the Plan was as at 31 December 2022 and prepared by qualified staff of Towers Watson, who is a member of Society of Actuaries and a member of Institute of Actuaries of Korea, using the projected unit credit method. The actuarial valuations as at 31 December 2022 indicate that the Group's obligations under the Plan are approximately 110% (2021: 99%) covered by the Plan assets held by the trustee as at the respective reporting date.

The amounts recognised in the consolidated statement of financial position are as follows:

	2022 HK\$'000	2021 HK\$'000
Present value of defined benefit obligations	30,661	37,630
Fair value of plan assets	(33,750)	(37,303)
Defined benefit (assets)/obligations as at 31 December	(3,089)	327

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately HK\$5,157,000 in contributions to the Plan in 2023.

The Group's contributions for the year ended 31 December 2022 amounted to approximately HK\$4,926,000 (2021: HK\$10,363,000).

The principal financial assumptions used in the actuarial valuation as at 31 December 2022 for the purpose of the accounting disclosures were as follows:

	2022	2021
Discount rate	5.25%	2.50%
Rate of salary increase	5.00%	5.00%

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31. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

For purpose of determining the defined benefit obligations, the following participant data has been applied as at 31 December 2022:

	2022	2021
Number of staff	142	174
Total annual plan salary	HK\$46,576,000	HK\$58,986,000
Average annual plan salary	HK\$328,000	HK\$339,000
Average age (count weighted)	41.13 years	39.57 years
Average credited services (count weighted)	4.62 years	4.28 years

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of the Plan are as follows:

	2022 HK\$'000	2021 HK\$'000
Current service costs	4,612	5,327
Administration costs	132	184
Interest on assets	(909)	(715)
Interest costs	785	533
Settlements	–	5,471
Total amount recognised in profit or loss (note 11)	4,620	10,800
Actuarial gains (net of tax) recognised in other comprehensive income	(2,360)	(202)
Total defined benefit costs	2,260	10,598

The current service costs, administration costs and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss and other comprehensive income:

	2022 HK\$'000	2021 HK\$'000
Cost of sales	3,095	3,749
Selling and administrative expenses	1,525	7,051
	4,620	10,800

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31. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Movements in the present value of the defined benefit obligations are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	37,630	34,946
Pension costs charged to profit or loss:		
Service costs	4,612	5,327
Net interest	785	533
Sub-total	43,027	40,806
Benefits paid	(6,691)	(5,182)
Actuarial changes arising from changes in financial assumptions	(3,202)	(1,116)
Actuarial changes arising from experience adjustments	(291)	456
Exchange realignment	(2,182)	2,666
At 31 December	30,661	37,630

The weighted average duration of the defined benefit obligations is 3.7 years (2021: 4.26 years).

Changes in the fair values of the Plan assets are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	37,303	34,780
Pension costs charged to profit or loss:		
Administrative costs	(132)	(184)
Net interest	909	715
Sub-total	38,080	35,311
Benefits paid	(6,691)	(5,182)
Actuarial changes arising from changes in financial assumptions	(467)	(402)
Contribution from employer	4,926	10,363
Exchange realignment	(2,098)	(2,787)
At 31 December	33,750	37,303

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31. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The assets of the Plan are as follows:

	2022 HK\$'000	2021 HK\$'000
Term deposit	33,750	37,303

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2022 are set out as follows:

	Percentage change	2022 HK\$'000	2021 HK\$'000
Discount rate	+0.25%/+1%	(1,041)	(1,603)
	-0.25%/-1%	1,060	1,637
Rate of salary increase	+0.25%/+1%	1,201	1,779
	-0.25%/-1%	(1,184)	(1,751)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

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32. LEASES

The Group as a lessee

Nature of leasing activities

The Group leases a number of properties and vehicle in Korea and Hong Kong. Lease contracts are typically made for a fixed period which ranged from 1 to 5 years.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 HK\$'000	2021 HK\$'000
Properties leased for own use, carried at depreciated cost	3,238	2,090
Motor vehicles, carried at depreciated cost	1,308	1,058

(b) Lease liabilities

	Properties leased for own use HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2021	2,938	1,512	4,450
Additions	1,194	–	1,194
Lease payments	(2,050)	(378)	(2,428)
Interest expense	68	36	104
Exchange realignment	(124)	(102)	(226)
At 31 December 2021 and 1 January 2022	2,026	1,068	3,094
Additions	3,518	896	4,414
Lease payments	(2,241)	(387)	(2,628)
Interest expense	73	37	110
Effect of lease modifications	–	(234)	(234)
Exchange realignment	(101)	(53)	(154)
At 31 December 2022	3,275	1,327	4,602

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32. LEASES (CONTINUED)

The Group as a lessee (Continued)

Nature of leasing activities (Continued)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

2022

	Minimum lease payments 31 December 2022 HK\$'000	Interest 31 December 2022 HK\$'000	Present value 31 December 2022 HK\$'000
Not later than one year	1,893	170	1,723
Later than one year and not later than two years	1,697	102	1,595
Later than two years and not later than five years	1,336	52	1,284
	4,926	324	4,602

2021

	Minimum lease payments 31 December 2021 HK\$'000	Interest 31 December 2021 HK\$'000	Present value 31 December 2021 HK\$'000
Not later than one year	2,293	57	2,236
Later than one year and not later than two years	500	16	484
Later than two years and not later than five years	382	8	374
	3,175	81	3,094

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32. LEASES (CONTINUED)

The Group as a lessee (Continued)

Nature of leasing activities (Continued)

(b) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2022 HK\$'000	2021 HK\$'000
Current liabilities	1,723	2,236
Non-current liabilities	2,879	858
	4,602	3,094

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities (note 9)	110	104
Depreciation charge of right-of-use assets (note 16)	2,635	2,510
Short-term leases expenses (note 10)	342	492
Low-value assets leases expenses (note 10)	20	23

33. SHARE CAPITAL

	Number '000	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 December 2021 and 2022	5,000,000	50,000
Ordinary shares, issued and fully paid:		
At 31 December 2021 and 2022	400,000	4,000

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34. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the Company on 21 June 2016.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 21 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

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35. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		2,302	–
Interests in subsidiaries		57,639	57,639
Rental deposits		169	–
		60,110	57,639
Current assets			
Deposits and prepayments		302	224
Amounts due from subsidiaries		7,870	10,458
Cash and cash equivalents		10,680	4,724
		18,852	15,406
Current liabilities			
Accruals and other payables		3,708	2,699
Loan from a shareholder		5,000	–
Amount due to a shareholder		1,376	–
Lease liabilities		611	–
		10,695	2,699
Net current assets		8,157	12,707
Total assets less current liabilities		68,267	70,346
Non-current liabilities			
Deferred tax liabilities		–	660
Loan from a shareholder		10,000	5,000
Lease liabilities		1,030	–
		11,030	5,660
Net assets		57,237	64,686
Capital and reserves			
Share capital	33	4,000	4,000
Reserves	36	53,237	60,686
Total equity		57,237	64,686

On behalf of the board of directors

Ms. Tao Hongxia
Director

Mr. Lee Seung Han
Director

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36. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- (b) Capital reserve represents (i) the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the group reorganisation and (ii) the effect of capitalisation of loan from AMS of approximately HK\$10,171,000.
- (c) Pursuant to the Special Tax Treatment Control Law in Korea, Global Telecom is allowed to appropriate retained earnings as a reserve for research and manpower development. This reserve is not available for the payment of dividends but to be used for specified purposes or reversed back to retained earnings.
- (d) The foreign exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations from KRW to the presentation currency, HK\$.
- (e) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilised for cash dividend but may only be used to offset a deficit, if any, or be transferred to capital.

Details of the movements on the Company's reserves are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021	35,718	57,639	(30,727)	62,630
Loss for the year	–	–	(1,944)	(1,944)
At 31 December 2021 and 1 January 2022	35,718	57,639	(32,671)	60,686
Loss for the year	–	–	(7,449)	(7,449)
At 31 December 2022	35,718	57,639	(40,120)	53,237

Note: The contributed surplus of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the group reorganisation.

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37. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	% of ownership interest		Principal activities
			2022	2021	
SuperChips	B.V.I.	US\$1	Directly 100%	Directly 100%	Investment holding
Maximus Group Consulting Limited ("Maximus Group")	B.V.I.	74,000 shares of US\$1 each	Indirectly 64.86%	Indirectly 64.86%	Investment holding
Global Telecom	Republic of Korea	190,000 shares of KRW5,000 each	Indirectly 100%	Indirectly 100%	Provision of system integration and maintenance services
Future Data	Hong Kong	HK\$21,251,460 (note)	Indirectly 100%	Indirectly 100%	Provision of cyber security services
Maximus HK	Hong Kong	HK\$10,000	Indirectly 64.86%	Indirectly 64.86%	Provision of cyber security services
MXC Security (Singapore) Pte Ltd	Singapore	Singapore dollar 1	Indirectly 64.86%	Indirectly 64.86%	Provision of cyber security services

Note: Pursuant to a shareholder's meeting of Future Data, dated 15 August 2022, Future Data approved to increase its share capital from HK\$10,441,395 to HK\$21,251,460.

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38. NON-CONTROLLING INTERESTS

Maximus Group, a 64.86% owned subsidiary of the Company, has non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of Maximus Group and its wholly owned subsidiaries, before intra-group eliminations, is presented below:

	2022 HK\$'000	2021 HK\$'000
For the year ended 31 December		
Revenue	30,196	35,022
(Loss)/profit for the year	(1,773)	4,098
(Loss)/profit allocated to NCI	(623)	1,440
For the year ended 31 December		
Cash generated from operating activities	3,021	2,040
Cash used in investing activities	(675)	(60)
Cash used in financing activities	(621)	(594)
Net cash inflows	1,725	1,386
As at 31 December		
Current assets	15,917	20,526
Non-current assets	2,214	1,134
Current liabilities	(12,982)	(15,663)
Non-current liabilities	(952)	(27)
Net assets	4,197	5,970
Accumulated non-controlling interests	1,475	2,098

39. RELATED PARTY TRANSACTIONS

- (a) Save for the loan to a shareholder/ultimate holding company, loans from shareholders and amount due to a shareholder, as disclosed in notes 24, 27 and 28 respectively, during the year, the Group entered into the following transaction with a related party.

Related party identity	Type of transaction	2022 HK\$'000	2021 HK\$'000
AMS	Interest income	462	541

- (b) **Compensation of key management personnel**

The remuneration of directors and other members of key management for the year are set out in note 15.

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40. NOTES SUPPORTING CASH FLOWS STATEMENT

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Loans from shareholders (note 27) HK\$'000	Amount due to a shareholder (note 28) HK\$'000	Bank borrowings (note 29) HK\$'000	Lease liabilities (note 32(b)) HK\$'000
At 1 January 2021	–	–	30,290	4,450
Changes from financing cash flows:				
Increase in loan from a shareholder	5,000	–	–	–
Proceeds from bank borrowings	–	–	229,987	–
Repayment of bank borrowings	–	–	(172,256)	–
Interest paid	–	–	(704)	(104)
Repayment of principal portion of the lease liabilities	–	–	–	(2,324)
Total changes from financing cash flows	5,000	–	57,027	(2,428)
Other changes:				
Additions to leases liabilities	–	–	–	1,194
Finance costs	–	–	704	104
Exchange realignment	–	–	(4,189)	(226)
Total other changes	–	–	(3,485)	1,072
At 31 December 2021	5,000	–	83,832	3,094
At 1 January 2022	5,000	–	83,832	3,094
Changes from financing cash flows:				
Increase in loans from shareholders	14,684	–	–	–
Increase in amount due to a shareholder	–	1,376	–	–
Proceeds from bank borrowings	–	–	184,497	–
Repayment of bank borrowings	–	–	(225,482)	–
Interest paid	–	–	(1,207)	(110)
Repayment of principal portion of the lease liabilities	–	–	–	(2,518)
Total changes from financing cash flows	14,684	1,376	(42,192)	(2,628)
Other changes:				
Additions to leases liabilities	–	–	–	4,414
Finance costs	–	–	1,207	110
Effect of lease modifications	–	–	–	(234)
Exchange realignment	–	–	(1,038)	(154)
Total other changes	–	–	169	4,136
At 31 December 2022	19,684	1,376	41,809	4,602

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41. CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Commitment for office renovation	1,516	–
Commitment for the acquisition of properties (note 21)	–	30,899

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Non-current		
<i>Financial assets at FVTPL</i>		
– Unlisted equity securities	4,416	4,554
Current		
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	111,896	111,607
– Contract assets	6,150	28,482
– Loan to a shareholder/ultimate holding company	–	5,829
– Fixed bank deposits	1,857	4,196
– Cash and cash equivalents	122,561	123,088
	242,464	273,202
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade and other payables	107,891	76,274
– Bank borrowings	41,809	83,832
– Loans from shareholders	19,684	5,000
– Amount due to a shareholder	1,376	–
– Lease liabilities	4,602	3,094
	175,362	168,200

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42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Note: The carrying amounts of the financial assets included above approximate their fair values due to their short term nature.

The carrying values of the financial liabilities (including current portion of bank borrowings) included above approximate their fair values due to their short term nature.

The fair values of the non-current portion of bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank borrowings as at 31 December 2021 were assessed to be insignificant. The carrying values of the non-current portion of bank borrowings also approximate their fair values as at 31 December 2021.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant. The directors consider the credit risk on bills receivables is low since the banks which guarantee payments of bills receivables are of high credit rating.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables and contract assets

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECLs. To measure the ECLs, the trade and bills receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The Group determined the ECLs rates of contract assets based on those rates applied to trade and bills receivables as contract assets and trade and bills receivables are from the same customer bases.

As at each reporting period, the provision made respectively against the gross amount of trade and bills receivables is as follows:

2022

	ECLs rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
<i>Collective assessment</i>				
Current (not past due)	0.04%	102,473	38	102,435
0–90 days past due	0.28%	2,495	7	2,488
91–180 days past due	0.71%	1,980	14	1,966
181–365 days past due	8.03%	436	35	401
Over 1 year past due	100%	657	657	–
		108,041	751	107,290
<i>Individual assessment</i>				
	100%	14,425	14,425	–
		122,466	15,176	107,290

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit risk (Continued)**

Trade and bills receivables and contract assets (Continued)

2021

	ECLs rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Collective assessment				
Current (not past due)	0.11%	101,738	112	101,626
0–90 days past due	1.13%	4,526	51	4,475
91–180 days past due	7.09%	733	52	681
181–365 days past due	42.16%	204	86	118
Over 1 year past due	100%	1,873	1,873	–
		109,074	2,174	106,900
Individual assessment				
	100%	14,700	14,700	–
		123,774	16,874	106,900

ECLs are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables and contract assets (Continued)

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	Trade and bills receivables HK\$'000
At 1 January 2021	20,571
Reversal of impairment recognised during the year, net	(2,262)
Exchange realignment	(1,435)
At 31 December 2021 and 1 January 2022	16,874
Reversal of impairment recognised during the year, net	(761)
Exchange realignment	(937)
At 31 December 2022	15,176

As at 31 December 2022 and 2021, no provision was made against the gross amount of contract assets because the Group has concluded that the ECLs rate for trade and bills receivables are a reasonable approximation of the rates for the contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the amount of ECLs of contract assets is assessed to be minimal.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Other receivables, including loan to a shareholder/ultimate holding company

ECLs model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs is measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it is not yet deemed to be credit-impaired. The ECLs is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs is measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 December 2022 and 2021, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, bank borrowings, loans from shareholders and amount due to a shareholder and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policy has been followed by the Group during the year and is considered by the directors to have been effective in managing liquidity risks.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective reporting date) and the earliest date the Group can be required to pay.

2022

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Non-derivatives:					
Trade and other payables	107,891	107,891	107,891	-	-
Bank borrowings	41,809	43,601	43,601	-	-
Loans from shareholders	19,684	20,054	5,000	15,054	-
Amount due to a shareholder	1,376	1,376	1,376	-	-
Lease liabilities	4,602	4,926	1,893	1,697	1,336
	175,362	177,848	159,761	16,751	1,336

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

2021

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Non-derivatives:					
Trade and other payables	76,274	76,274	76,274	–	–
Bank borrowings	83,832	99,399	83,950	15,499	–
Loan from a shareholder	5,000	5,000	–	5,000	–
Lease liabilities	3,094	3,175	2,293	500	382
	168,200	183,848	162,517	20,999	382

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. The interest rates and terms of repayment of interest-bearing bank borrowings and the lease of motor vehicles of the Group are disclosed in notes 29 and 32 respectively. The Group currently does not have an interest rate hedging policy.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

In respect of cash flow interest rate risk, the following table illustrates the sensitivity of the Group's profit for the year, and other components of equity at the dates indicated due to a possible change in interest rates on its floating rate bank deposits and bank borrowings with all other variables held constant at the end of the reporting period:

2022

	HK\$'000
Decrease/(increase) in loss for the year and increase/(decrease) in retained profits	
Increase/decrease in basis points	
+0.5%	(156)
-0.5%	156

2021

	HK\$'000
Increase/(decrease) in profit for the year and retained profits	
Increase/decrease in basis points	
+0.5%	(311)
-0.5%	311

The above sensitivity analysis is prepared based on the assumption that the bank deposits and bank borrowings as at reporting dates existed throughout the whole financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk principally arise from Global Telecom's overseas purchases which are denominated in US\$ whereas the functional currency of Global Telecom is KRW.

To mitigate the Group's financial loss from exposure to unfavourable foreign exchange rate movement in KRW and US\$, the Group added on a margin in the costing of the relevant part of the system integration projects which required purchases of hardware and software components to be settled in US\$. The margin was supposed to be a cushion to safeguard against any unfavourable foreign exchange rate movement in KRW and US\$ between the costing date and the relevant settlement date. In view of the limited size of each US\$ denominated purchase, it is considered that it is not justifiable on a cost and benefit analysis to enter into foreign exchange hedging transactions for such purchases.

In respect of the business operation in Hong Kong, the transactions are primarily denominated in HK\$ and US\$. Since US\$ is pegged to HK\$, the corresponding foreign currency risk exposure is considered as minimal. Accordingly, the analysis below is prepared based on Global Telecom's foreign currency risk exposure only.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure

Global Telecom's financial assets and liabilities denominated in US\$, translated into HK\$ at the closing rates, are as follows:

	2022 HK\$'000	2021 HK\$'000
Cash and cash equivalents	3,637	1,604
Trade payables	(4,415)	(13,868)
Bank borrowings	(5,912)	(15,449)
Gross exposure from recognised financial assets and liabilities	(6,690)	(27,713)

The following table illustrates the sensitivity of the Group's profit for the year and equity in response to a 5% depreciation in Global Telecom's functional currency against US\$. The 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2022 HK\$'000	2021 HK\$'000
Changes in exchange rate:		
KRW depreciates by 5% against US\$	(253)	(1,081)
KRW appreciates by 5% against US\$	253	1,081

The sensitivity analysis for the year ended 31 December 2022 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

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44. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts as explained in note 42.

Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

The following table presents the Group's assets that are measured at fair value:

2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	4,416	–	4,416

2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	4,554	–	4,554

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44. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

The fair value of the unlisted equity security representing investment in KSFC is determined by the redemption price provided by KSFC as at the reporting date.

At 31 December 2022, the Group's unlisted equity security is grouped under Level 2 (2021: Level 2) category.

There were no transfers between levels during the year.

45. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes loans from shareholders, amount due to a shareholder, bank borrowings and lease liabilities disclosed in notes 27, 28, 29 and 32 and equity of the Group, comprising share capital and reserves. The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

45. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratios which are determined as total borrowings to total equity of the Group as at 31 December 2022 are as follows:

	2022 HK\$'000	2021 HK\$'000
Lease liabilities	4,602	3,094
Bank borrowings	41,809	83,832
Loans from shareholders	19,684	5,000
Amount due to a shareholder	1,376	–
Total borrowings	67,471	91,926
Total equity	133,335	142,037
Gearing ratio	51%	65%

46. SUBSEQUENT EVENTS

On 26 January 2023, the Company and Business Securities Limited (the “Placing Agent”), entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, up to an aggregate of 80,000,000 placing shares at a price of HK\$0.22 per placing shares (the “2023 Placing”).

The 2023 Placing has been completed on 17 February 2023 (“Date of Completion”). All the 80,000,000 placing shares have been successfully placed by the Placing Agent. The 80,000,000 placing shares represent 20.00% of the existing issued share capital of the Company before the Date of Completion and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares upon the Date of Completion.

The net proceeds from the 2023 Placing amounted to approximately HK\$17.2 million (after deduction of commission and other expenses of the 2023 Placing). The directors intend to use the net proceeds for repayment of indebtedness and replenishing the working capital of the Group to support its business operations.

Further details of the 2023 Placing and the result of the 2023 Placing are set out in the Company’s announcements dated 26 January 2023 and 17 February 2023 respectively.

47. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended 31 December 2022 were approved and authorised for issue by the board of directors on 28 March 2023.

SUMMARY OF FINANCIAL INFORMATION

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2022, as extracted from the audited consolidated financial statements, is set out below:

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Results					
Revenue	617,641	720,569	679,053	646,470	605,161
Net (loss)/profit for the year	(3,969)	8,690	7,513	4,041	5,758
Assets and liabilities					
Total assets	340,234	354,078	300,065	300,591	350,029
Total liabilities	206,899	212,041	156,697	170,443	214,343
Total equity	133,335	142,037	143,368	130,148	135,686

LIST OF PROPERTIES

INVESTMENT PROPERTIES

Property location	Use	Group's Attribution interest %
Unit A1311, 12, 12-1, Dangsang-dong 1-ga, Yeong-deungpo-gu, Seoul, Korea	Commercial	100
Unit A1312, 12, 12-1, Dangsang-dong 1-ga, Yeong-deungpo-gu, Seoul, Korea	Commercial	100
Unit A1313, 12, 12-1, Dangsang-dong 1-ga, Yeong-deungpo-gu, Seoul, Korea	Commercial	100
Unit L152, 12, 12-1, Dangsang-dong 1-ga, Yeong-deungpo-gu, Seoul, Korea	Commercial	100

All investment properties were freehold properties situated in Korea.